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SHULTZ, SHEVARDNADZE HOLD 'EASY, FRANK' TALKS

OW260224 Beijing XINHUA in English 0211 GMT 26 Sep 85

[Text] United Nations, September 25 (XINHUA) -- U.S. Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze met here today to discuss the upcoming summit meeting between the leaders of the two countries.

The meeting took place at the Soviet Mission to the U.N. Speaking to reporters afterwards, Shultz said, "We had an easy conversation in a frank atmosphere." However, he said no agreement was reached, and no new proposals were raised by the Soviets.

Describing this afternoon's session as "worthwhile," he said both sides listened to each other's positions "with great care." "It demonstrated the ability on both sides to have discussions in an easy and frank atmosphere," he said.

Shevardnadze told reporters that the Soviet side did not differ with the American assessment of today's meeting. "It was an interesting, frank and useful meeting," he said. He said that this round of discussions was conducted "with a view for preparations of the coming summit." "We still have quite a lot to do ahead of us," he said. "I will continue the dialogue with Secretary of State Shultz."

Shevardnadze is going to Washington tomorrow, and will meet President Ronald Reagan on Friday. Another round of talks between Shultz and Shevardnadze has been planned after the meeting.

Present at today's meeting on the American side were Robert McFarlane, national security adviser to the president, and Paul H. Nitze, special arms control adviser. Anatoliy Dobrynin, Soviet ambassador to the United States, was present.

SOVIET FOREIGN MINISTER ADDRESSES UN ASSEMBLY

OW250848 Beijing XINHUA in English 0825 GMT 25 Sep 85

[Text] United Nations, September 24, 1985 (XINHUA) -- Soviet Foreign Minister Eduard A. Shevardnadze said here this morning that mankind is entering a most crucial period in its history and has to make a decision on the question of paramount importance -- whether to live in peace or perish in a nuclear war.

Making his first appearance before the General Assembly, the Soviet foreign minister devoted the bulk of his speech in the general debate to the nuclear and space arms talks between his country and the United States. He blamed the United States for "the current unfavorable development of the situation in the world."

He said the greatest peril facing mankind is the fact that the nuclear arms race has taken a fresh start. "Added to this is the threat of arms race spreading to outer space. The possibility of the arms race acquiring an uncontrollable and irreversible character is becoming real." This, he said, is a road leading to nuclear catastrophe.

"The threat of nuclear war continues to hang over the world," he said, because the United States and some other NATO countries refuse "to follow the example of the Soviet Union and the People's Republic of China, which has also unilaterally pledged not to be the first to use nuclear weapons."

He charged that the thrust of the new U.S. military program is to gain military superiority over the Soviet Union, and to upset the present strategic equilibrium.

He told the Assembly that he had been instructed by the state and party leaders of the Soviet Union to reaffirm the Soviet position in this regard -- "Profoundly mistaken are those who may expect that the Soviet economy will fail to withstand the strain of a qualitatively new stage in the arms race which is currently being forced upon us."

He directed his most forceful attack against the U.S. "star wars" program. In this regard, he formally introduced to the General Assembly an item submitted by his government, namely "international cooperation in the peaceful exploration of outer space in conditions of its non-militarization." He called it a concept of "star peace," "to counter the sinister plans of star wars."

On the relations between the two countries, he said his country wants to build normal and stable relations with the United States. "We are convinced that the Soviet-American summit meeting should focus on the most important problem of today -- to reduce the danger of war, restore international trust and create pre-requisites for resolving many other pressing issues in relations among states," he said.

As for Soviet relations with other states, he said the Soviet Union gives priority to the search for ways of easing international tensions and preventing the danger of war. In this regard, he particularly mentioned the coming visit to France by the Soviet leader Mikhail S. Gorbachev as of "great importance."

Speaking of the situation in the Middle East, he condemned "the monstrous crimes of Israeli aggressors" in Lebanon, the West Bank and the Gaza Strip. He called as "chauvinistic arrogance" those attempts to deny the Palestinian people their right to independent statehood. He said the Middle East problem should be settled in a manner that would take into account the legitimate interests of all the parties concerned, and ensure the right of all states in the region including Israel, to live in peace and security.

On the situation in Central America, he said that it is important that the United Nations support the efforts of the Contadora Group, and contribute to overcoming the resistance of those who, instead of peace, "seek to restore their domination in the region."

With regard to southern Africa, he said, "What needs to be done is that the Security Council should exercise fully its authority as regards the racist South Africa regime, which, in violation of the relevant U.N. decisions, refuses to transfer power to the Namibian people and represents a threat to the security of African states and to global security."

On the question of Afghanistan, he stated, "A political settlement of the situation that has arisen around that country is possible." He charged other countries, instead of his own, as interfering in the internal affairs of Afghanistan. "When such interference is ended and its nonresumption is guaranteed, it will become possible to withdraw Soviet military contingent from Afghanistan," he said. "The sooner a political settlement is achieved, the better it will be for everyone."

On the situation in Southeast Asia, he avoided any direct reference to Kampuchea. However, he said the basis for good-neighborly relations between the ASEAN countries and the states of Indochina is gradually taking shape, and the countries concerned are perfectly capable of establishing "a negotiating mechanism."

With regard to the United Nations, he said the organization has done a great deal of useful work for the benefit of peace and international cooperation looking back over the history since the U.N. came into being, he stated "with great satisfaction" that it has been 40 years without world wars. "Truly gigantic changes have taken place in the world over the period," he declared. However, he said the U.N. still has a lot more to accomplish as it faces the question of "paramount importance" to mankind, a question of peace and war.

RENMIN RIBAO ON UN GENERAL ASSEMBLY SESSION

HK260117 Beijing RENMIN RIBAO in Chinese 17 Sep 85 p 6

[Report by reporter Chen Yicun: "Problems Faced by the 40th UN General Assembly"]

[Excerpts] The 40th UN General Assembly which will begin on 17 September will have special significance compared with all previous UN General Assemblies because it will be held on the 40th anniversary of the victory in the world anti-fascist war and on the 40th anniversary of the founding of the United Nations which is the most important international organization in the world. Over the past 40 years, great changes have taken place in the world and the colonial system has thoroughly collapsed. The United Nations has also increased its member countries from the original 51 countries to the present 159 countries, among which two-thirds are Third World countries. The rise of the Third World countries has greatly changed the relative strength of the forces in the world, greatly strengthened the forces safeguarding world peace and greatly changed the face of the United Nations. Now, the forces safeguarding world peace have become unprecedentedly strong.

But the fierce contention for global hegemony and the arms race between the two super-powers have caused a tense and uneasy international situation. So, reducing armaments, relaxing international tension, and safeguarding world peace remain the grave tasks faced by the United Nations today and are also important topics to be discussed at this UN General Assembly.

The situation in southern Africa is a question of great concern to all people. The situation in southern Africa has become more turbulent and uneasy because the South African authorities have carried out a policy of racial segregation, decided to extend the state of emergency, and stubbornly refused to carry out the UN plan to grant independence to Namibia. The South African authorities have been strongly accused by world opinion and the demand that sanctions be imposed against the South African authorities is becoming louder and louder.

In recent years, some areas, including Afghanistan, Cambodia, the Middle East, and Central America, have suffered continued conflicts and wars. The tense and uneasy situation in those areas has posed a threat to world peace and security. The war between Iran and Iraq still continues and the question of Cyprus has not yet been resolved. So these areas of turmoil will also be important topics of discussion and consideration at this UN General Assembly. Because of the stubborn attitude of the Soviet Union and the continued occupation of Afghanistan by the Soviet Union, the fifth round of indirect talks between Pakistan and the Karmal regime, which was held at the end of August, failed to reach an agreement.

The Vietnamese authorities have rejected the immediate withdrawal of their troops from Cambodia, have strengthened their occupation of Cambodia, and are continuing to launch military attacks against the Cambodian resistance forces, all of which have aggravated the situation in Cambodia and have made the Cambodian question difficult to resolve. Supported by the United States, Israel has refused to hold talks with Jordan and the PLO and refused to withdraw from the occupied Arab lands so that the political settlement of the Middle East question has reached an impasse. Because of the intervention of outside forces, conflicts between some Central American countries have continued unabated for quite a long time. The observers here are not optimistic with regard to the possibility that this UN General Assembly will solve the questions of these troubled areas.

The important topics for discussion and consideration at this UN General Assembly also include strengthening international cooperation and jointly overcoming the economic difficulties faced by today's world, such as the famine in Africa, international debt, protectionism, North-South dialogue, and so on. From this, we can see that the tasks of the 40th UN General Assembly are indeed arduous and complex. At a time when the entire world is celebrating the 40th anniversary of the founding of the United Nations, all the people hope that the United Nations, as an international organization, will make great contributions to safeguarding world peace and security, pushing international cooperation forward, and eliminating the threat of war.

SOVIET LEADER MEETS U.S. CONGRESSMEN IN MOSCOW

OW250914 Beijing XINHUA in English 0842 GMT 25 Sep 85

[Text] Moscow, September 24 (XINHUA) -- Soviet-American parliamentary ties are "very important" in normalizing complicated relations between the two countries, Boris Ponomarev of USSR's Supreme Soviet said today. He was meeting with a group of U.S. congressmen.

Contact between the two parliaments would help each country understand the other's foreign policy and other contentious international issues, thus easing tension between the U.S. and the USSR, Ponomarev said. He is chairman of the Foreign Affairs Commission of Soviet Nationalities. Ponomarev also denounced the U.S. for "rapid production of offensive weapons" and said "U.S.' excuse can withstand no refutation."

The visiting U.S. congressmen expressed their concern over the world tension and bilateral relations. Both sides believe that the forthcoming Geneva summit will be "the most important event in Soviet-U.S. ties and the entire international relations."

ANALYSIS OF U.S.-USSR RELATIONS AFTER ASAT TEST

OW251456 Beijing in Russian to the USSR 1800 GMT 24 Sep 85

[News analysis: "American-Soviet Relations in Light of the U.S. Test of an Antisatellite Weapon"]

[Text] On 13 September the U.S. Department of Defense announced the first successful test of a U.S. antisatellite system in the United States. The official circles and public of the Soviet Union reacted strongly to this.

In its commentary TASS called this U.S. act the beginning of a new round of the arms race in space and warned that this act would create difficulties for constructive work in preparing for American-Soviet talks on Geneva on nuclear and space arms, as well as the American-Soviet summit meeting.

Prior to this, on 4 September, TASS was authorized to state that if the United States held tests of antisatellite weapons sent into space, the Soviet Union would consider itself free from its unilateral pledge not to put antisatellite weapons into space.

So why did the United States conduct this test? White House spokesman Larry Speakes said on 20 August, when the Reagan government told Congress about holding the anti-satellite weapon test: Insofar as the Soviet Union developed the first antisatellite system for military purposes, the United States must immediately begin to develop such weapons as a deterrent. All this indicates a new escalation of the arms race between the United States and the Soviet Union and a beginning of new tension in their relations before the upcoming American-Soviet summit meeting in Geneva.

In this connection people are asking: Why did these unpleasant relations arise if a meeting between the American and Soviet leaders had already been decided upon? Does this not interfere with the planned summit meeting? Judging by the status of American-Soviet relations on the whole, one can say that today a situation of both confrontation and negotiation prevails. There is tense confrontation in connection with the escalation of their arms race in order to establish world supremacy. At the same time, they are forced to sit at the negotiating table in connection with necessities dictated by the internal and foreign policies of their countries. This is precisely why the American-Soviet Geneva talks on nuclear disarmament resumed, why there was recently an exchange of visits by parliamentary delegations of the two countries, and why there will be a summit meeting.

In this regard, these two countries of course do not act in exactly the same way. In the last 6 months or so, the Soviet Union has launched a whole series of propaganda offensives against the United States and advanced proposals such as a moratorium on nuclear tests and a proposal on the peaceful development of space. Acting in this way, the Soviet Union is pursuing the aim of thwarting the American star wars plan and gaining the support of the world public to strengthen its position at the talks.

In the face of the propaganda offensive by the Soviet Union, the United States takes the following responsible [otvetstvennyy] position: On the one hand, it refutes it; on the other, it replies tit for tat. The Soviet Union requires the United States to conduct a moratorium on nuclear tests, but the latter notes: You have already conducted large-scale tests. The purpose of your proposal is to prevent us from doing what you, the Soviet Union, have done. In turn, the United States has advanced a proposal by requesting that the Soviet Union send its observers to the United States to monitor its underground nuclear test. This was immediately rejected by the Soviet Union. The Soviet Union condemns the American star wars plan, and expresses readiness to work out a so-called star peace plan. On the one hand, the United States stresses that its star wars plan is a defensive one and for the time being is in the research stage. On the other hand, it exposes the aim of the propaganda offensive of the Soviet Union, noting that it was none other than the Soviet Union that first began the development of space weapons and has already reached the level of their practical application in a war, but that the United States does not yet have such weapons. According to the United States, in this case only by developing its own weapons can the Soviet Union be forced to approach the Geneva arms talks in a serious manner.

At present, although the test of U.S. antisatellite weapons is subject to sharp condemnation by the Soviet Union, the world public is taking into account the fact that this condemnation is restrained. Recently the Soviet leader Gorbachev stated in his interview with the American magazine TIME that the Soviet Union will exert maximum effort so that the summit meeting produces noticeable results in the healthy development of Soviet-American relations. Judging by the current situation, both the United States and the Soviet Union do not intend to postpone this meeting, but there are indications that it will not be that easy to achieve positive results at this meeting.

NPC'S WANG RENZHONG, GROUP VISIT KANSAS CITY

OW251200 Beijing XINHUA in English 1126 GMT 25 Sep 85

[Text] Washington, September 24 (XINHUA) -- The visit by Chinese NPC delegation to the United States is good for Sino-U.S. trade and world peace, the mayor of Kansas City said tonight, according to a report from that mid-western town. At a dinner in honor of the visiting Chinese delegation of the National People's Congress (NPC), led by NPC Vice-Chairman Wang Rengzhong, Mayor Ed Eilert said Kansas City is open and friendly to the visitors. Wang Hanbin, secretary-general of the NPC Standing Committee and deputy head of the Chinese delegation, said delegation members were deeply impressed by the area's developed agriculture and friendly people. The visit will certainly promote Sino-American relations, he added.

Kansas City is a great livestock and wheat market. This morning the Chinese delegation called on the city's Board of Trade and saw wheat transactions going on in the market. Later, NPC members visited an auto assembly plant of the General Motors Corporation, a dairy farm and a McDonald's fast food restaurant. The Chinese will leave for San Francisco tomorrow.

NPC'S GENG BIAO RECEIVES RETIRED U.S. ADMIRAL

OW251632 Beijing XINHUA in English 1445 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Geng Biao, vice-chairman of China's National People's Congress Standing Committee, met and feted here this evening retired Admiral of the U.S. Navy Robert Long, former commander-in-chief of the U.S. Pacific Command, and his wife. Liu Huaqing, commander of the Navy of the Chinese People's Liberation Army, met the American couple earlier this afternoon.

Robert Long arrived here last Monday at the invitation of the Beijing Institute for International Strategic Studies. Wu Xiuquan, president of the Beijing Institute, met and feted Long and his wife yesterday evening.

LI PENG RECEIVES SAN FRANCISCO GOOD-WILL GROUP

OW251800 Beijing XINHUA in English 1435 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Chinese Vice-Premier Li Peng met a goodwill mission from the San Francisco Chamber of Commerce here this afternoon. The mission is led by Gordon B. Swanson, president of the Chamber, and C.B. Sung, chairman of Unison International. Li Peng and the U.S. visitors exchanged views on issues relating to the development of bilateral cooperation in the fields of trade, economy and technology.

The mission arrived in Beijing September 20 at the invitation of the China Council for the Promotion of International Trade.

CONGRESSIONAL REPORT HAS RESERVATIONS ON SDI

OW252034 Beijing XINHUA in English 2001 GMT 25 Sep 85

[Text] Washington, September 25 (XINHUA) -- The proposed U.S. antimissile shield could make nuclear war between the two superpowers more likely, a congressional report says.

The report, by the congressional Office of Technology Assessment made public yesterday, concluded that "a strategic defense which could assure the survival of all or nearly all U.S. cities in the face of unconstrained Soviet nuclear offensive forces does not appear feasible." The report said the current "urgent" effort by the United States to develop a high-technology missile defense would probably encourage the Soviet Union to increase its nuclear attack forces and could threaten both the entire arms control process and the 1972 treaty that limits defenses against intercontinental missiles.

The report warned that without a negotiated agreement on the introduction of new defensive systems, the two superpowers "might easily suspect the other of attempting to gain a military advantage" and institute a new arms race in both offensive and defensive weapons. The report also said it is "too early to predict the likelihood of success" in SDI research, also known as the "star wars" program.

It also expressed doubt over the SDI goal, which the administration has said is a program that would render nuclear weapons obsolete. The real objective, the report said, is to make ballistic missile defenses cheaper than new offensive weapons, thus paving the way for negotiations with the Soviets to reduce missiles. It said although the Soviets are "vigorously developing advanced technologies" for futuristic, space-based strategic defense, "in terms of basic technology capabilities, the United States is clearly ahead of the Soviet Union in key areas required for an advanced (SDI) system."

SINO-U.S. WORKSHOP ON ANTIQUAKE MEASURES HELD

OW251734 Beijing XINHUA in English 1634 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Earthquake countermeasures experts from both China and the United States opened a workshop here today to explore ways to minimize the damage caused by earthquakes by strengthening existing buildings in accordance with seismic risk analysis. Sponsored by the Office of Anti-Quake Measures, the Ministry of Urban and Rural Construction and Environmental Protection, and the Institute of Engineering Mechanics of the State Seismological Bureau of China, it is attended by 13 noted American scholars and 12 Chinese experts.

Zhang Qinnan, director of the Anti-Quake Measures Office, said: "Strengthening existing buildings and installations is a positive and effective measure for minimizing earthquake damage to persons and property." Drawing on the lessons of the 1977 Tangshan earthquake, China has since 1977 strengthened industrial and residential buildings, as well as bridges, reservoirs and chimneys in key areas across the country. By the end of June 1985, industrial and residential buildings with a total of 175 million square meters in floor space had been strengthened nationwide. These buildings have withstood later earthquakes in the main.

Nearly one-third of China's land area and about half of China's cities are in areas with a fundamental seismic intensity of seven degrees and above; earthquakes are frequent and highly destructive in China. Director Zhang said: "In order to optimize the use of our limited resources and to minimize the disastrous effects of earthquakes we must try to fix the standards for strengthening scientifically. In this regard, the experience of American experts in seismic risk analysis will be most valuable to China."

NORTH, SOUTH KOREA PREPARE FOR PARLIAMENTARY TALKS

Disagree on Agenda Items

OW251332 Beijing XINHUA in English 1311 GMT 25 Sep 85

["2nd Meeting for North-South Korean Parliamentary Talks (by Li Tu and Qu Benjin)" -- XINHUA headline]

[Text] Panmunjom, September 25 (XINHUA) -- The delegations of the North and the South of Korea today walked out of their second preliminary meeting for parliamentary talks in Panmunjom empty-handed, disagreeing on the agenda items. At the two-hour meeting, it is learned here, the North side demanded that of a joint North-South declaration of non-aggression and the South Korean proposal for a "unified constitution" be included in the agenda. [sentence as received] However, the South side insisted that the problem of a unified constitution alone be discussed as an agenda item.

The North-South Parliamentary Talks was proposed by the Democratic People's Republic of Korea (DPRK) in April this year. The two sides held their first preliminary meeting on July 23 and reached agreement on where and how the parliamentary talks will be held. However, they failed to arrive at agreement on the agenda of the talks. The delegation from the North proposed that a third preliminary meeting be held on October 16, but the South side expressed that an answer would be given after consideration.

DPRK Urges Nonaggression Declaration

OW251029 Beijing XINHUA in English 1003 GMT 25 Sep 85

[Text] Pyongyang, September 25 (XINHUA) -- The Democratic People's Republic of Korea (DPRK) today called for adoption of a joint declaration of non-aggression between South Korea and DPRK, stressing it as "the best way" to ease the tension on the Korean peninsula. In a commentary, the official newspaper NODONG SINMUN said that the publication of the declaration will have a positive effect on the on-going North-South Economic Talks and that of the red-cross, and will pave the way for a high-level, North-South political meeting.

The commentary came as a second preliminary meeting for North-South parliamentary talks opened in Panmunjom. It was reported that the meeting will focus on the DPRK's demand for a joint declaration of non-aggression and on the South Korean proposal for "a unified constitution". The commentary criticized the South Korean proposal as hindering attempts to ease tensions, bring about peace on the Korean peninsula and help solve the problem of the country's reunification.

LI MENGHUA MEETS DPRK SPORTS DELEGATION

OW260149 Beijing XINHUA Domestic Service in Chinese 1439 GMT 24 Sep 85

[Text] Beijing, 24 Sep (XINHUA) -- Li Menghua, minister of the State Physical Culture and Sports Commission, met with a DPRK physical culture delegation, led by So Un-hae, this evening. Li Menghua extended a warm welcome to So Un-hae and other Korean comrades, and hoped that the physical cultural exchanges between China and Korea would constantly develop.

Present at the meeting were Sin In-ha, Korean ambassador to China; and He Zhenliang, vice minister of the Chinese State Physical Culture and Sports Commission.

After the meeting, Li Menghua feted So Un-hae and his party. So Un-hae is vice chairman of the Korea Physical Cultural and Sports Guidance Committee. He, and other members of the delegation, will visit Beijing, Shanghai, and Hangzhou.

NEW AMBASSADOR TO JAPAN PRESENTS CREDENTIALS

OW260356 Beijing XINHUA Domestic Service in Chinese 1229 GMT 24 Sep 85

[Text] Tokyo, 24 Sep (XINHUA) -- Zhang Shu, new PRC ambassador extraordinary and plenipotentiary to Japan, presented his credentials to Japanese Emperor Hirohito at the Imperial Palace in Tokyo this afternoon. Ambassador Zhang Shu relayed President Li Xiannian's regards to Emperor Hirohito at the presentation ceremony. The emperor expressed thanks and requested that Zhang Shu relay his regards to President Li Xiannian. He also expressed the hope that Japan-China relations would further develop during Ambassador Zhang Shu's term of office.

Zhang Shu called on Shintaro Abe, Japanese minister of foreign affairs, on 11 September. They held cordial talks. Zhang Shu arrived in Tokyo on 7 September.

SONG PING MEETS JAPANESE LAND AGENCY CHIEF

OW260818 Beijing XINHUA in English 0756 GMT 26 Sep 85

[Text] Beijing, September 26 (XINHUA) -- Chinese State Councillor Song Ping met with Kakuzo Kawamoto, director-general of the national land agency and minister of state of Japan and his party, this noon. Song Ping, also minister in charge of the State Planning Commission, gave a luncheon in honor of the visitors.

Kawamoto and his party arrived here yesterday as guests of Minister of Water Resources and Electric Power Qian Zhengying. They held talks with Qian on technical exchanges between China and Japan in the utilization and exploitation of water resources yesterday afternoon.

JAPANESE BANK OPENS NEW BRANCH IN SHANGHAI

OW252002 Beijing XINHUA in English 1838 GMT 25 Sep 85

[Text] Shanghai, September 25 (XINHUA) -- A Japanese bank, the Daiwa Bank Ltd, opened an office in Shanghai today. Speaking at the opening ceremony, President of the bank Sumio Abekawa said the bank will make efforts to help Shanghai import technology and equipment, and retool its enterprises. With its headquarters in Osaka, the Japanese bank opened an office in Beijing in July 1983.

Shanghai now has 25 offices of foreign and overseas financial organizations.

This morning, Shanghai's Vice-Mayor Li Zhaoji met with Sumio Abekawa.

GU MU MEETS JAPANESE SECURITIES COMPANY GROUP

OW250201 Beijing XINHUA Domestic Service in Chinese 1505 GMT 23 Sep 85

[Text] Beijing, 23 Sep (XINHUA) -- State Councillor Gu Mu met with a delegation of Japan's Daiwa Securities Company at the Great Hall of the People this afternoon.

The delegation was headed by Sadakatsu Doi, president of the Japanese company. Xu Zhaolong, general manager of the China International Trust and Investment Corporation, was present at the meeting. The delegation arrived in Beijing today at the invitation of the China International Trust and Investment Corporation.

JAPANESE LOANS FUND COAL MINE DEVELOPMENT

OW251804 Beijing XINHUA in English 1632 GMT 25 Sep 85

[Text] Taiyuan, September 25 (XINHUA) -- the development of a new underground coal mine funded by Japanese loans started today in the Gujiao mining area of the Xishan Mining Administration, Shanxi Province, one of China's major coal producers. The new shafts will push production of coal in Gujiao to 12.5 million tons a year. The total investment for the new mine is 322 million U.S. dollars, of which 200 million is in Japanese energy loans. With recoverable reserves of 650 million tons, the coal mine is designed to produce four million tons of raw coal a year. The mine will be put into full operation in 1992.

JAPAN WELCOMES PLANNED SHEVARDNADZE VISIT

OW251814 Beijing XINHUA in English 1602 GMT 25 Sep 85

[Text] Tokyo, September 25 (XINHUA) -- Japanese Prime Minister Yasuhiro Nakasone said he plans a "heartly welcome" for Soviet Foreign Minister Eduard Shevardnadze when he visits Japan. Shevardnadze told Japanese Foreign Minister Shintaro Abe in a meeting in New York yesterday that the Soviet leadership had decided to send him to Japan at the end of the year or next January. Nakasone told reporters in Osaka today he hopes the Japan-Soviet consultation would become a regular event. Abe said at a press conference yesterday that the scheduled visit will greatly improve bilateral relations.

In the past, Japan repeatedly had invited the Soviet foreign minister to visit Tokyo and expressed its expectation to conclude a peace treaty with the Soviet Union after solving the "northern-territory problem." The invitation was always refused by former Soviet Foreign Minister Andrey Gromyko. Shevardnadze will be the first Soviet foreign minister to visit Japan in 10 years.

On the prospects for solving pending bilateral issues, including the northern-territory problem, Abe said Japan cannot "expect a substantial change" in the Soviet position. The northern territories are groups of Japanese islands which have been occupied by the Soviet Union since the end of World War II. The territories are off Hokkaido, Japan's second-largest main island. Moscow has insisted there is no so-called northern territory problem.

PRC-MONGOLIA BORDER RAILWAY MEETING HELD IN HOHHOT

SK260336 Hohhot NEIMENGGU RIBAO in Chinese 11 Sep 85 p 1

[Text] The 1985 regular meeting of the Sino-Mongolia Border Railway Joint Commission was held in Hohhot, capital of the Nei Monggol Autonomous Region, from 2 to 9 September. The two parties examined and discussed the implementation of the protocol on the Sino-Mongolia Border Railway Joint Commission, essentially revised some articles in the protocol, and signed a new protocol through consultation. During the meeting, Zhou Junqiu, secretary general of the regional government, met with and feted all members of the Mongolia railway delegation. The meeting also arranged several visits and cultural activities for the delegation. After the meeting, the delegation left Hohhot for home by way of Erenhot on the morning of 10 September.

SINGAPORE'S LEE KUAN YEW CONCLUDES VISIT

Zhao Bids Farewell by Phone

OW251908 Beijing XINHUA in English 1848 GMT 25 Sep 85

[Text] Guangzhou, September 25 (XINHUA) -- Chinese Premier Zhao Ziyang and Singapore Prime Minister Lee Kuan Yew agreed today that the friendly cooperation between the two nations enjoys broad prospects.

Premier Zhao this morning called Lee and his wife by telephone from Beijing to wish them a safe journey home at the termination of their visit to China.

Zhao expressed the belief that the exchange of visits by leaders would contribute to the friendly relations between the two national. There are broad prospects for economic, trade and tourism cooperation, Zhao said.

[Beijing XINHUA Domestic Service in Chinese at 1655 GMT on 25 September carries a report on Zhao Ziyang's farewell phone call to Lee Kuan Yew which provides the following variant paragraph: Zhao Ziyang said that his talks with Lee Kuan Yew were very good, that the exchange of friendly visits by leaders of the two countries would surely strengthen the friendly relations between the two nations, and that there were very broad prospects for economic, trade, and tourism cooperation between the two countries.]

Prime Minister Lee said he had found his China trip "very satisfying," and he was optimistic about the future of the relations between the two countries. Singapore and China can do a lot to promote peace and stability in Southeast Asia, he said.

Zhao and Lee exchanged invitations for return visits to their respective countries.

The Singapore prime minister and his party left here at noon by train for Shenzhen and left Shenzhen for home via Hong Kong in the afternoon. They were seen off by Chairman of the Chinese Government's Reception Committee and Minister of the Electronics Industry Li Tieying, and Vice-governor of Guangdong and Mayor of Shenzhen Li Hao.

Further Report

HK251136 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 25 Sep 85

[Text] At 0840 this morning, Premier Zhao Ziyang called Singaporean Prime Minister Lee Kuan Yew from Beijing to say good-bye to Lee. Lee was staying at Guangzhou's China Hotel. Premier Zhao said to Prime Minister Lee Kuan Yew: You have visited China three times. I visited your country in 1981. The exchange of visits has strengthened the friendship between the peoples of our two countries. There are broad prospects for economic cooperation between our two countries. Now you are returning to your country. I hope that you will visit China again. Although you have visited many places on this trip, there are still many places which are worth visiting. It is a pity that you did not climb Tai Shan this time. You must climb it the next time.

Prime Minister Lee Kuan Yew said: My trip to China has been successful. I am happy with it. During my stay, I visited many parts of the country. I hope I can visit Tai Shan and other parts of the country the next time. I hope that you, Premier Zhao, and your colleagues will visit Singapore at your convenience.

Lee Kuan Yew also asked Premier Zhao to relay his greetings to Chairman Deng and other Chinese leaders.

Prime Minister Lee Kuan Yew and his wife left Guangzhou for Shenzhen this morning by train. Vice Governor Yang Li of Guangdong, Vice Mayor Lai Zhuyan, Lai's wife, and (Jiang Ziqing), a responsible person of the provincial and city foreign affairs offices, went to the railway station to see off the Singaporean guests.

Lee Expects Relations To Improve

OW251916 Beijing XINHUA in English 1905 GMT 25 Sep 85

[Text] Shenzhen, September 25 (XINHUA) -- Visiting Singapore Prime Minister Lee Kuan Yew said here today that Sino-Singaporean ties will definitely improve.

In reply to a Chinese correspondent's question, Lee said there are good prospects for cooperation between the two countries. In two or three years, he said, economic cooperation between Singapore and China could attain new heights and spread to wider areas, as a consequence, better relations would inevitably follow.

During his talks with the Chinese leaders in Beijing, the two sides discussed several cooperation projects, he revealed. These should be put into effect in one or two years, he added.

On the question of Kampuchea, the prime minister said Vietnam's occupation of Kampuchea must be resisted and eventually ended. The struggle should be carried on internally and internationally, he stressed.

"We must help the resistance forces in Kampuchea to make Vietnam's occupation costly," Lee said. "We should at the same time make it clear to the Vietnamese that we are ready to discuss a political settlement with them". But, he said, a prerequisite for this is an unqualified declaration by the Vietnamese that they are prepared to withdraw their troops from Kampuchea.

ZHONGGUO XINWEN SHE Report

HK251434 Beijing ZHONGGUO XINWEN SHE in Chinese 1326 GMT 25 Sep 85

[Report: "Lee Kuan Yew Speaks on Impressions of His China Visit" -- ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 25 Sep (ZHONGGUO XINWEN SHE) -- Before concluding his China visit, in a written answer to the questions raised by Chinese reporters, Singaporean Prime Minister Lee Kuan Yew expressed his confidence that the relations between Singapore and China will develop at an even more rapid pace. He said: I am of the opinion that there are bright prospects for the cooperation between us. In the next 2 or 3 years, progress will be made in our economic cooperation on a higher plane and in new fields.

Lee Kuan Yew continued: During our talks, Premier Zhao and I agreed on several specific projects to be jointly undertaken by us. Our officials concerned will continue to discuss them and draft detailed principles for their implementation. The prime minister is of the opinion that China and Singapore should focus their attention on a few projects and strive to achieve results in 1 or 2 years.

Commenting on his China visit, Lee Kuan Yew said: In Beijing, Guangzhou, and, in particular, the special economic zones, there are new buildings and wide roads. The whole country is full of vigor. People are more particular about their clothing. They are happier and more energetic. They no longer have to worry about their livelihood and they look forward to a bright future.

Commenting on the situation in Southeast Asia, Lee Kuan Yew said: We must continue to help the Cambodian resistance forces to fight in order to force Vietnam to end its occupation of Cambodia. He continued: We agree that the Cambodian issue should be settled politically and that Vietnam must withdraw its troops from Cambodia.

Lee Kuan Yew and others arrived in Shenzhen by train this morning. Mayor Li Hao hosted a banquet in his honor. In the afternoon, Prime Minister Lee Kuan Yew left Shenzhen for home via Hong Kong.

NEW ZEALAND'S LANGE URGES DEVELOPING TRADE WITH PRC

OW241453 Beijing XINHUA in English 1431 GMT 24 Sep 85

[Text] Wellington, September 24 (XINHUA) -- The New Zealand Government will look at a strategy for developing the country's trade with China, said Prime Minister David Lange, adding "the longer we hold back the more likely our competitors are to steal a march on us."

His statement was quoted by a recent issue of the "NEW ZEALAND CHINA TRADE JOURNAL". He declared, "The government and the private sector need to be able to pool information and experience to take full advantage of the opportunities that are now available in China. Trade has increased at an encouraging rate but I believe that the potential for further growth is tremendous." "China's economic development is certainly not going to wait for us," he added.

The variety of Chinese exports to New Zealand broadens and Chinese products become more widely known in New Zealand, he said. Cooperation between New Zealand and Chinese enterprises is anticipated in a number of key areas such as forestry, wool scouring and food processing while new areas for diversification are also expected, he added. "I believe that by doing so, New Zealand can secure a large share of Chinese market for exports," Lange said.

Political, economic and security issues in the Asia-Pacific region as well as the relations between New Zealand and China are expected to be raised during his visit to China next year, the prime minister disclosed. The economic relations between the two countries will be a topic of special interest in the visit. In the forthcoming China visit, China's relations with the superpowers, New Zealand's relations with her allies and developments in the South Pacific are also likely to be discussed, Lange added.

CHEN MUHUA TALKS WITH AUSTRALIAN JOURNALISTS

OW251640 Beijing XINHUA in English 1606 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- State Councillor Chen Muhua met a group of senior Australian correspondents led by Barry Porter, assistant federal secretary of the Australian Journalists Association, here this afternoon. During the meeting, Chen answered questions about China's economic restructuring.

While answering a question concerning China's deficit in trade with Australia, Chen said that China and Australia have good relations in the fields of economy and trade, and both sides wish to increase the growth of these relations based on equality and mutual benefit. She pointed out that "China does not expect to maintain a trade balance all the time. But the bilateral economic and trade relations will be impacted by an excessive imbalance in the long run." She hoped the Australian side would import more Chinese goods to improve the situation. She was convinced that this situation could be improved through efforts by both sides, thereby bringing about a bright future for the development of the two countries' economic and trade relations.

The Australian journalists arrived in Beijing September 22 as guests of the All-China Journalists Association.

JOINT VENTURE WITH PRC ESTABLISHED IN HONG KONG

OW251842 Beijing XINHUA in English 1830 GMT 25 Sep 85

[Text] Hong Kong, September 25 (XINHUA) -- A joint venture specializing in financial management consulting was established in Hong Kong today to cater for foreign firms or individuals interested in China trade and investment. The joint venture -- CCAFM-E and W Management Services Limited -- was established by Ernst and Whinney, one of the "big 8" international accounting firms, and the China Consultants of Accounting and Financial Management Inc. (CCAFM), China's only national accounting and consulting enterprise.

According to Xu Yi, chairman of CCAFM, and Anthony K.P. Yung, deputy chairman of the new company and a partner of Ernst and Whinney, the joint venture was formed to cope with increasing investment in China and the growing need for specialized management consulting, accounting, taxation, secretarial and other services. The new company will help identify and establish potential business partners, assist with contract negotiations and the establishment of China-based operations, and will carry out feasibility studies, they said. It will undertake market research in many areas of Chinese economic and foreign trade policy and commercial development.

Ernst and Whinney, established in 1980, is the first international accounting firm permitted by the Chinese Government to have representation in China. It now has two representative offices in Beijing and Guangzhou. Since CCAFM was established in 1982, it has provided audit services and management consulting services to a wide range of companies, including numerous multi-national oil and gas companies involved in offshore oil explorations in the South China Sea.

BRIEFS

PHILIPPINES JOINT FILM VENTURE -- Manila, 23 Sep (XINHUA) -- China and the Philippines will start shooting a color feature film "King and Emperor" in March 1986, according to an agreement signed here this evening in the Cultural Center of the Philippines (CCP). The screenplay of the film is based on the story of the visit of the east King of Sulu Island to China and his meeting with Emperor Yongle of M Dynasty in the 15th century. The Sino-Philippine coproduction film project was first agreed by the two countries in 1981. Since then, workers of both sides have exchanged views and made necessary preparations for the implementation of the plan. A Chinese film delegation arrived here on 10 September at the invitation of the CCP and finalized the script of the film together with their Philippine counterpart on 15 September 15. The whole shooting work is scheduled to be finished by the end of October next year. [Text] [Beijing XINHUA in English 1847 GMT 23 Sep 85 OW]

SPOKESMAN ANNOUNCES PAKISTANI PRIME MINISTER'S VISIT

OW251144 Beijing XINHUA in English 1122 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Mohammad Khan Junejo, prime minister of the Islamic Republic of Pakistan, will pay an official goodwill visit to China from October 5 to 11 at the invitation of Premier Zhao Ziyang. This was announced by a Foreign Ministry spokesman at a weekly news briefing here this afternoon.

The spokesman said this will be Mr. Junejo's first official visit abroad since he assumed office as prime minister.

BANGLADESH PREPARING TO MARK PRC NATIONAL DAY

OW251702 Beijing XINHUA in English 1651 GMT 25 Sep 85

[Text] Dhaka, September 25 (XINHUA) -- The Bangladesh-China Friendship Association is making preparations to celebrate China's national day and the 10th anniversary of the establishment of Bangladesh-Chinese diplomatic relations, which fall on October 1 and 4 respectively.

"The Bangladesh people will always be friends of China no matter what changes they have both domestically and internationally," Golam Hafiz, president of the Bangladesh-China Friendship Association, said to XINHUA today. "China is always dependable and stands by our side," Hafiz said. That is why his association is one of the most popular organizations and enjoys very high prestige in the country, he added.

The association boasts a large membership throughout the country with people willingly joining in from all walks of life, he said. It has little difficulty in organizing seminars, cultural exhibitions and other activities to promote mutual understanding and friendship.

Work is under way to set up an acupuncture institute and an association library, Hafiz said, adding that they could expect some help from the government led by Hussain Mohammad Ershad.

An accomplished lawyer and once Parliament speaker, Hafiz has worked to promote Bangladesh-Chinese friendship for many years. "I am 65 years old and I will continue to work because I find the work very meaningful," he said.

AFGHAN GUERRILLAS ATTACK QANDAHAR GOVERNOR HOUSE

OW221322 Beijing XINHUA in English 1243 GMT 22 Sep 85

[Text] Islamabad, September 22 (XINHUA) -- Afghan resistance forces attacked the Governor House in Qandahar Province, south Afghanistan, with mortars on the night of September 12, killing eight security guards, the AGENCY OF AFGHAN PRESS reported today. A portion of the Governor House was badly damaged by the rocket fire. The guerrillas moved away safely after the operation.

It was also reported that fierce fighting was going on between Soviet-Karmal troops and the resistance forces around Khowst Cantonment in Paktia Province, southeastern Afghanistan.

The Soviet troops, supported by air force artillery, are bombing villages indiscriminately. So far over 100 wounded villagers have been sent to Miranshah and Peshawar hospitals inside Pakistan, a report said.

WESTERN EUROPE

WU DISCUSSES MACAO ISSUE WITH PORTUGAL'S GAMA

OW260912 Beijing XINHUA in English 0902 GMT 26 Sep 85

[Text] United Nations, September 25 (XINHUA) -- Chinese Foreign Minister Wu Xueqian and Portuguese Foreign Minister Jaime Jose Matos da Gama met here today to discuss the issue of Macao. During the meeting, both sides said the agreement reached between China and Portugal during Portuguese President Eanes's May visit to China provides a solid foundation for a solution to the issue of Macao.

The two foreign ministers also exchanged views on the world situation and relations between the two countries.

CHEN MUHUA MEETS NETHERLANDS FINANCE MINISTER

OW251628 Beijing XINHUA in English 1443 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Chinese State Councillor Chen Muhua met with Onno Ruding, minister of finance of the Netherlands and chairman of the Interim Committee of the International Monetary Fund (IMF), his wife and their party here this evening. They expressed the hope for further development of economic relations and trade between China and the Netherlands, and for strengthening cooperation in activities of the IMF.

The meeting was followed by a banquet given by Chen Muhua, also president of the People's Bank of China. Netherlands Ambassador to China Dr. A.G.O. Smitsendonk was present. Ruding and his party arrived here this afternoon as guests of Chen Muhua.

DANISH PRIME MINISTER MEETS PRC PRESS DELEGATION

OW251045 Beijing XINHUA in English 0955 GMT 25 Sep 85

[Text] Stockholm, September 24 (XINHUA) -- Denmark's Prime Minister Poul Schluter has ruled out the possibility of a Nordic nuclear-free zone with the Soviet Union on one side and the Nordic countries on the other. During a meeting with a Chinese press delegation here today, Schluter said if the small Nordic countries somehow isolated themselves from Europe while pursuing a nuclear-free policy, "our position would be very weak." The nuclear-free zone proposal should be considered within a large scope, including all of Central Europe, the prime minister said, and the two superpowers should be committed to such an agreement.

Schluter, who recently visited the United States, said president Ronald Reagan is seriously preparing for the November U.S.-Soviet summit meeting. But he added, "we should not expect that the talks could produce immediately any astonishing or specific results." However, he said, "the summit could create a favorable atmosphere for further talks on solving many existing problems, including the disarmament issues."

Referring to the world economy and trade issues, Schluter said Denmark will maintain its free trade policies, and all countries should avoid the temptation to adopt protectionist measures. While discussing Sino-Danish relations, the prime minister said Denmark is willing to promote long-term cooperation with China in agriculture, electronics and other high-tech fields. The Chinese press delegation arrived here on September 21 at the invitation of the Danish Foreign Ministry. It will leave tomorrow for Norway.

NI ZHIFU MEETS DANISH TRADE UNION PRESIDENT

OW241318 Beijing XINHUA in English 1301 GMT 24 Sep 85

[Text] Beijing, September 24 (XINHUA) -- Ni Zhifu, president of the All-China Federation of Trade Unions, met and feted a delegation from the Danish Federation of Trade Unions led by its president Knud Christensen here this evening. The delegation arrived in China September 16.

YANG DEZHI HOSTS DINNER FOR ITALIAN DELEGATION

OW241732 Beijing XINHUA in English 1631 GMT 24 Sep 85

[Text] Beijing, September 24 (XINHUA) -- An Italian military delegation led by Deputy Defense Chief of Staff Roberto Jucci were honored at a dinner hosted here today by Yang Dezhi, chief of the General Staff of the Chinese People's Liberation Army (PLA). Earlier today Jucci held talks with Xu Xin, deputy chief of the General Staff of the PLA. The Italian guests arrived September 22 and have visited a military academy and a PLA unit.

UK TRANSPORT SECRETARY, DELEGATION ARRIVE

OW251756 Beijing XINHUA in English 1433 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- British Member of Parliament Nicholas Ridley, secretary of state for transport, and his party flew into Beijing this afternoon for a one-week visit to China. They are guests of Lu Dong, Chinese Minister in charge of the State Economic Commission. The British officials will discuss the expansion of transport cooperation between Britain and China with departments concerned.

RENMIN RIBAO ON BRITISH CABINET RESHUFFLE, ECONOMY

HK240939 Beijing RENMIN RIBAO Overseas Edition in Chinese 19 Sep 85 p 6

["Newsletter From Britain" by Reporter Li Yun Fei: "British Economy as Seen From the Major Cabinet Reshuffle"]

[Text] The appointment of Lord David Young as secretary of state for employment in the British Cabinet reshuffle announced in early September is considered a key move. Meanwhile, Kenneth Clarke, the newly appointed paymaster-general, has held the position of speaker for the Employment Department in the House of Commons as his assistant, thus extending the functions of the Employment Department. Public opinion in London holds that a group has been formed consisting of David Young, Trade and Industry Secretary Leon Brittan, and Kenneth Clarke to jointly solve the unemployment problem, demonstrating that Mrs Thatcher has given priority to the unemployment problem. This is an unprecedented move since she came to power 6 years ago.

The current Cabinet reshuffle was carried out by Mrs Thatcher against a profound economic background. Despite economic growth, the unemployment rate in Britain remains high and an uneasy feeling prevails in the country. In fact, the unemployment problem has become not only an economic, but a social and political problem as well. The recent rioting in Birmingham, opposition parties hold, is related to the unemployment problem, because the unemployment rate among black youths there has soared to 50 percent.

The monetary policy pursued by the Conservative government has scored some achievements over the last 6 years. To a certain extent public expenditures and financial deficits have been brought under control; the inflation rate has declined; the economy has been constantly picking up; and even the balance of international payments has had a surplus for years. The situation in the first half of this year continued to improve, with a 5.5 percent increase in investment in fixed assets and a 9 percent growth in exports over the corresponding period last year. The wage increase rate was 6 to 6.5 percent, higher than the inflation rate. Since this summer, the rate of exchange between the pound sterling and the U.S. dollar has also increased considerably. All these demonstrate that if the British economy is not among the best of the Western countries, it is far from the worst.

However, some problems that cannot be neglected are also confronting the British economy. Lashed by the waves of the new technical revolution, traditional industries like iron and steel, engineering, ship-building, and so on have gradually declined. Although the labor productivity of the British manufacturing industry is ahead of other Western countries as a result of its industrial restructuring, some critics of the government's economic policy have pointed out that in recent years the surplus in the balance of international payments has been due solely to petroleum and invisible trade. Visible trade produced an unfavorable balance year after year.

Unemployment is the most serious problem in the British economy. Since the Conservative Party came to power in 1979, the number of unemployed has drastically increased from 1.4 million to 3.2 million, and the unemployment rate is 13.4 percent, the highest among the Western industrial countries. In order to improve the efficiency of enterprises and the competitiveness of products, the government and businessmen have adopted new industrial technologies and management methods and cut down on a large number of personnel. Another reason is that over 140,000 people have entered the labor market each year since 1983. Last year, because the government and Coal Board shut down some mines running at a loss, miners staged a general strike. This year, railway workers almost brought about another strike because the British Rail planned to abolish the post of guard on some trains.

The present acute unemployment situation must be eased immediately, especially if the Conservative government wants to win its third consecutive election. They must try to improve their image in this field. At present, with the current economic policy and through extending vocational training programs devised for young people, the government plans to encourage localities to establish welfare projects and employ measures such as the development of small and medium-sized enterprises to ease unemployment. Nevertheless, the results remain to be seen. The government still has 3 years to make changes if the general election date is not brought forward. However, public opinion and economic circles in London generally believe that the problem of unemployment is incapable of being solved once and for all and will prove an insurmountable obstacle.

HAO JIANXIU WELCOMES VISITING ROMANIAN YOUTH

OW251626 Beijing XINHUA in English 1614 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Hao Jianxiu, member of the Secretariat of the Chinese Communist Party Central Committee met a youth study group from Romania led by Ana Ferencz secretary of the Central Committee of the Romanian Communist Youth League here this afternoon. Hao extended her welcome to the Romanian youth workers and had a cordial talk with them.

The Romanian visitors who are the guests of the Chinese Communist Youth League Central Committee, arrived in Beijing on September 23 for a study of the role of Chinese young people in rural economic reform and the work of rural youth organizations.

SFRY LCY PRESIDENT RECEIVES CHINESE JOURNALISTS

OW201949 Beijing XINHUA in English 1910 GMT 20 Sep 85

[Text] Belgrade, September 20 (XINHUA) -- The League of Communists of Yugoslavia [LCY] is determined to strengthen its friendly relations with the Chinese Communist Party, president of the league's Central Committee, Vidoje Zarkovic, told Chinese journalists here today. He said the relations between the two parties have developed successfully and this in turn promoted the relations between the two countries and the two peoples. In his long conversation with the Chinese journalists headed by Li Naiyin, editor-in-chief of the Chinese weekly OUTLOOK, he pointed out that the two parties' cooperation is in the interests of Yugoslavia and China and of peace and progress in the world.

Veselin Djuranovic, member of the Presidency of Yugoslavia and Ivan Stambolic, president of the Central Committee of the League of Communists of Serbia, have separately received the Chinese journalists and answered their questions.

HUNGARIAN RADIO DELEGATION DEPARTS GUANGZHOU

HK250401 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 23 Sep 85

[Text] The 3-member Hungarian radio delegation, headed by Istvan Hars, president of the Hungarian radio, departed Guangzhou this morning for home via Beijing.

On the morning of 20 September, the Hungarian radio delegation arrived at Guangzhou from Beijing by air. During the visit, the delegation went sight-seeing in Guangzhou and Shenzhen, visited the Shekou industrial zone and the agricultural trading market at Xingping Road, Guangzhou. The delegation also visited households in Shenzhen.

Chen Ka, deputy director of the provincial Radio and Television Department, gave a banquet in honor of the Hungarian guests.

QIAN LIREN MEETS, FETES AZANIAN GUESTS

OW241922 Beijing XINHUA in English 1901 GMT 24 Sep 85

[Text] Beijing, September 24 (XINHUA) -- The Chinese people will continue to support the Azanian (South African) people's struggles for national liberation, said Qian Liren, head of the International Liaison Department of the Chinese Communist Party Central Committee here today. Qian gave the assurance to a delegation from the Pan-Africanist Congress of Azania led by the chairman of its Central Committee, Johnson Mlambo, during discussions held yesterday and today. The Azanian guests arrived here yesterday and were honored at a lunch hosted today by Qian.

BEIJING RALLY CONDEMNS SOUTH AFRICAN APARTHEID

OW251622 Beijing XINHUA in English 1437 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Four Chinese mass organizations held a rally here today to condemn the South African authorities for pursuing the policy of racial discrimination, and support the black people of South Africa in their just struggle for racial equality. More than 300 people from all walks of life attended the meeting. They were joined by a delegation from the Pan-Africanist Congress of Azania led by its president, Johnson Mlambo.

Wang Jiachong, vice-president of the All-China Federation of Trade Unions, listed crimes the apartheid regime had committed in internal oppression and invasion of its neighboring countries. "These atrocities not only deny the human rights of the majority of the South African people, but also threaten peace and stability in the region" he said. Wu Yingfu, vice-chairman of All-China Youth Federation, said that 290 million Chinese young people condemned the South African authorities for arresting and killing innocent black people, closing schools and suppressing black students. Huang Ganying, vice-president of the All-China Women's Federation, expressed the sympathy of the Chinese women for their black sisters and brothers who are suffering from racism, and spoke highly of their fighting spirit.

Wang Meng, vice-president of the Chinese Association for International Understanding, pointed out that the atrocities committed by the South African authorities showed their weakness instead of strength. He expressed the belief that the South African people would win the final victory so long as they pursue unity and struggle. Wang reiterated that the Chinese people will, as always, stand on the side of South African people and will for ever be their reliable friends.

In his speech at the rally, President Johnson Mlanbo described the Chinese people as strong allies of the South African people. He said that the Chinese people's support is a great inspiration to the black people.

MORE CORN, FARM TOOLS DONATED TO ETHIOPIA

OW241924 Beijing XINHUA in English 1909 GMT 24 Sep 85

[Text] Addis Ababa, September 24 (XINHUA) -- China today donated 9,000 tons of corn and a batch of agricultural implements to Ethiopia. Chinese Ambassador Zhang Ruijie and Deputy Commissioner of Ethiopian Relief and Rehabilitation Commission Berhane Deressa attended the hand-over ceremony here.

In 1984, China pledged to offer 25,000 tons of corn to drought-stricken Ethiopia. Six thousand tons of corn had been shipped to Ethiopia earlier.

PRC OFFERS AID TO EARTHQUAKE-RIDDEN MEXICO

Red Cross Society Donation

OW250816 Beijing XINHUA in English 0750 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- The Chinese Red Cross Society sent a message Tuesday to the Mexican Red Cross Society, expressing sympathy for the people in areas devastated by recent earthquakes. The message said that the Chinese Red Cross Society will donate 50,000 U.S. dollars to help the Mexican government's relief work. The message conveyed the belief that under the leadership of the Mexican Government, the people in the disaster areas will overcome the hardships caused by the earthquakes and rebuild their homeland.

Government Offers \$200,000

OW251028 Beijing XINHUA in English 1007 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- The Chinese government will provide 200,000 U.S. dollars to Mexico to help it overcome the hardships caused by the recent earthquakes. Chinese Vice-Foreign Minister Zhu Qizhen told the Mexican ambassador today of China's decision. The Chinese Red Cross Society has already donated 50,000 U.S. dollars to Mexico.

PRC AMBASSADOR TO CUBA MARKS TIES AT RECEPTION

OW181734 Beijing XINHUA in English 1603 GMT 18 Sep 85

[Text] Havana, September 17 (XINHUA) -- Chinese Ambassador to Cuba Wang Jin gave a reception today in the Chinese Embassy, here to mark the 25th anniversary of the establishment of diplomatic relations between China and Cuba.

Cuban foreign minister, Isidoro Malmierca Peoli, first deputy foreign minister, Jose Vieira Linares, and other officials attended the reception. In their speeches at the reception, both Wang Jin and Malmierca expressed the hope that friendly relations between the two countries will be developed and further strengthened. China and Cuba established diplomatic relations on September 28, 1960.

QIAN LIREN MEETS WITH BRAZILIAN MAYORS

OW251924 Beijing XINHUA in English 1904 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Qian Liren, head of the International Liaison Department of the Chinese Communist Party Central Committee, met here today with a delegation from the Democratic Movement Party of Brazil and gave a banquet in their honor. Led by Sergio Moreira, the delegation is formed of 12 mayors.

CPC PROPOSAL ON 7TH 5-YEAR PLAN RELEASED

OW250314 Beijing XINHUA in English 0304 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Following is the full text of the proposal of the Central Committee of the Chinese Communist Party for the Seventh Five-Year Plan (1986-90) for National Economic and Social Development adopted at the National Party Conference on September 23:

Proposal of the Central Committee of the Chinese
Communist Party for the Seventh Five-Year
Plan for National Economic and
Social Development

--Adopted at the National Conference
of the Communist Party of China

September 23, 1985

Basic Guiding Principles and Major Objectives

1. In its drive for socialist modernization, the People's Republic of China will enter the period of the Seventh Five-Year Plan (1986-90) having fulfilled or exceeded the Sixth Five-Year Plan (1981-1985). If we have five more years of success, working in the light of the general requirement of building socialism with Chinese characteristics and the general principle of revitalizing China's domestic economy and opening to the outside world, that success will consolidate and advance the current favourable economic and political situation and ensure that the economy will continue to grow and flourish in the 1990's. We will then have taken a firm step forward on the road to national prosperity and a comfortable, happy life for the people. It is the hope of the Central Committee that all party members and the people of all nationalities in the country will enthusiastically embark on the great Seventh Five-Year Plan in the pioneering spirit of reform and innovation.

2. Conditions are favourable for China's economic and social development during the period of the Seventh Five-Year Plan. Under the guidance of the Marxist line pursued since the third plenary session of the party's Eleventh Central Committee and through the arduous efforts of the entire party and the people of all our nationalities, we have consolidated and developed a political situation characterized by stability, unity and vitality and ushered in the most vigorous period of economic development since the founding of the People's Republic in 1949. Since 1980, the year before implementation of the Sixth Five-Year Plan, China's economy has undergone profound changes.

In 1980 China's agriculture was still in a fairly difficult situation. We had to import a large quantity of agricultural staples including grain and cotton. Since 1981, however, agriculture has been growing rapidly, at an average annual rate of 10 per cent, with the output of farm and sideline products increasing by a wide margin. China has become self-sufficient in grain and more than self-sufficient in cotton, as far as the people's present habits of food and dress are concerned. The all-round growth of agriculture has been an extremely important factor stimulating China's economic and social development.

Inspiring changes have taken place in energy production, which was at a standstill in 1980. In the past two or three years, the output of both crude oil and coal increased at an average annual rate of more than 8 per cent, and that of electricity rose correspondingly. The constant growth in energy production has been another important factor stimulating China's economic and social development. In 1980 our light industrial production fell far short of the people's daily needs, providing few commodities for the market. Over the past five years, however, it has registered an average annual growth rate of more than 10 per cent, with an increasing number of varieties and designs. The domestic market is thriving, a situation seldom seen since the founding of New China. Heavy industry, with its new orientation, has been growing steadily, and light and heavy industries are developing in better proportion.

State revenue was declining in 1980 and there was a huge deficit. Beginning in 1982, the downward trend was reversed and a basic balance was struck between revenue and expenditure. The 1985 state revenue is expected to exceed 170 billion yuan, and if the extra-budgetary funds of local authorities, departments and enterprises are included, it should total more than 300 billion yuan, nearly twice as much as the 1980 figure.

In 1980, there were large numbers of people in cities and towns waiting for employment, and a host of problems in the people's daily life were crying for immediate solution. Over the past five years more than 30 million people have been employed in cities and towns. Adjusted for price rises, the income of workers and other employees has increased by about 50 per cent, which represents an average increase of 20 per cent per capita. The average net income of the peasants has increased by 80 per cent. Living standards of urban and rural residents have improved to an extent unprecedented since the founding of the People's Republic.

In short, we have basically accomplished the task of fundamentally improving China's financial and economic situation. The national economy is now developing steadily and proportionately and enjoys the prospect of self-sustained growth. Proceeding from this foundation, we are fully justified in expecting still greater successes in the reforms and in all fields of production and construction in the period of the Seventh Five-Year Plan. However, we must also recognize that we are relatively backward in terms of the material and technological conditions for economic and social development. Our agriculture, which is the foundation, is also weak, and the problem of food and clothing for peasants in some areas has yet to be solved. Energy, transport, telecommunications and raw and semi-finished materials are still in short supply. Intellectual development and personnel training are far from meeting the needs of economic construction. Economic performance is not improving fast enough, production technology is slow to progress and economic management and administration still remain at a low level. The industrial structure and product mix are irrational, and there are other problems in our economic work. Especially since the last quarter of 1984, industrial production has grown at an excessively high rate, investment in fixed assets as well as credit and consumption funds have soared, prices of some commodities have skyrocketed, the state foreign exchange reserve has declined and certain new unstable factors have appeared in the economy. Therefore, we should fully appreciate not only the current favourable economic situation, but also the difficulties and problems facing us, so that the Seventh Five-Year Plan will be formulated on a realistic and scientific basis.

3. A comprehensive analysis and scientific estimate of the country's present economic and social conditions indicates that our economic and social development during the period of the Seventh Five-Year Plan should be guided by the following four basic principles:

-- Give priority to reform and make sure that reform and development are adapted to and promote each other. Basically, reform is in the service of development. At present, however, development should be planned in such a way as to facilitate reform. The period of the Seventh Five-Year Plan will be a crucial one for comprehensive reform of our management systems for the economy, science and technology, and education. Only by swiftly eliminating the defects in the management systems that hinder the development of the productive forces, and by gradually establishing systems that are vital and vigorous, can we ensure a steady growth of the economy in the next five, ten, twenty years or beyond. To ensure smooth reform, we have to fix a rational rate of economic growth and guard against blind competition and pursuit of increased output and output value. This will prevent strains and dislocations in the economy and create a favourable environment for reform. The orientation of reform must be maintained and the steps taken must be steady. All measures for reform must be mutually reinforcing, benefiting both micro-flexibility and macro-control, so as to ensure the stabilization and development of the entire economy.

-- Keep a basic balance between supply and demand in general, so as to maintain an appropriate ratio of accumulation to consumption. The heart of the matter is that while meeting people's daily needs according to the financial capacity of the state, we must also set aside a reasonable amount for investment in fixed assets and try to maintain a balance within state finance, credits, materials and foreign exchange and a general balance among them. This is the fundamental condition for ensuring correct proportions among different branches of the economy, stable economic activities and the smooth progress of structural reform. In view of the present over-extended scale of construction, the amount of investment in fixed assets for 1986 and 1987 will remain roughly the same as for 1985. In the last three years of the plan it may be increased according to circumstances. Assuming that the overall scale of investment in fixed assets is under control, we must concentrate financial and material resources on the development of basic industries such as energy, transport, telecommunications and raw and semi-finished materials and of the infrastructure. We must avoid trying to do everything at once with no sense of priorities. This is the only way to provide the strength needed for long-term economic development and create favourable conditions for further opening China to the rest of the world.

-- Give top priority to improving economic results and also and especially product quality, and correctly handle the relationship between quality and quantity and between economic results and growth rates. Inferior quality, high material consumption and poor economic results have chronically plagued our production and construction and are far from being eradicated. Only when this situation is drastically changed will it be possible to make full and effective use of all resources, creating greater wealth with less input, so we can meet the varied needs of the people better and increase exports. It is essential to enhance quality control and technical control, enforce strict labour and financial discipline, perfect the systems of supervision, and greatly improve the skills of workers in all enterprises and, at the same time, to update technology by adopting advanced techniques and equipment. We must do all this to raise product quality and economic results to a new level. It is the fundamental way of accelerating China's progress towards modernization.

-- Redouble our efforts to build a socialist civilization that is advanced culturally and ideologically as well as materially. Under no circumstances should we forget that the four modernizations we are striving for are of a socialist nature. All the policies we have adopted for reform, for opening to the outside world and for revitalizing our economy are aimed at building socialism with Chinese characteristics. To build a civilization that is materially advanced and to ensure its proper orientation, we must at the same time promote cultural and ideological progress, step up ideological and political work and encourage the people throughout the country to become persons of lofty ideals and moral integrity, well educated and self-disciplined.

4. On the basis of China's present level of economic development and with the aim of attaining the magnificent goal set by the twelfth party congress, the Central Committee proposes the following major objectives for economic and social development during the period of the Seventh Five-Year Plan: To make the total value of industrial and agricultural output and the gross national product of 1990 at least double those of 1980, to raise the average annual per capita consumption level of both urban and rural residents by four or five per cent, and to further improve the quality of people's life and their environmental and housing conditions. To reach these objectives we must lay a foundation for a new type of socialist economic structure with Chinese characteristics, energetically promote scientific and technological progress and intellectual development, and constantly improve economic results. All spheres of endeavour and all reforms should be geared to these major objectives, which will in turn determine the specific objectives to be worked out for each of them.

Fulfillment of these objectives will substantially increase China's economic strength. By 1990 the total value of industrial and agricultural output will probably reach 1,600 billion yuan, and the gross national product is likely to be 1,100 billion yuan.

[Beijing XINHUA Domestic Service in Chinese at 0011 GMT on 25 September carries a similar version of this item, which, at this point, rewords the preceding sentence as follows: "...agricultural output will reach 1,600 billion yuan, and the gross national product will be 1,100 billion yuan."] For the next five years, China's total revenue will amount to 900 billion yuan, an increase of more than 40 per cent over the period of the Sixth Five-Year Plan. The fixed assets of state-owned enterprises will grow by 500 billion yuan, a 60 per cent increase over the earlier period. In terms of consumption levels, with the growth of production, the Chinese people will move steadily from having adequate food and clothing to being fairly well-off.

5. The objectives proposed by the Central Committee are optimistic, but not over-ambitious. It is estimated that the average annual growth rate of China's total industrial and agricultural output value during the Sixth Five-Year Plan period will exceed 10 per cent, which is higher than the 7.2 per cent required for quadrupling output value by the end of the century. The economic growth rate projected for the Seventh Five-Year Plan period will average higher than 7 per cent for GNP annually and nearly 7 per cent for the total value of industrial and agricultural output, of which the total output value of agriculture will be 6 per cent and that of industry 7 per cent. It is correct and even essential to set these moderate growth rates to gradually reduce the current excessive growth rates. This will help eliminate certain instabilities in the present economic situation and promote smooth, comprehensive reform of the economic structure. It will also encourage the quarters concerned to focus more attention on improving product quality and economic results, thus laying a more solid foundation for the attainment of the grand goal set by the twelfth party congress.

6. To achieve the objectives of the Seventh Five-Year Plan, we will have to make a realistic assessment of the needs and, in the light of the new situation and new tasks, make a series of correct policy decisions regarding the strategic pattern and major principles of economic development, science, education and culture, foreign trade, and technological exchange, the economic structure and means of regulation and the people's welfare and social security. In mapping out the Seventh Five-Year Plan, we must not only set correct targets for production and construction, but also give full attention to the study and formulation of policies, which will become an important, organic part of the plan.

Strategic Pattern and Major Principles of Economic Development

7. In light of the objective requirements of China's economic growth, we must accomplish the following three tasks in relation to the overall pattern of economic development during the period of the Seventh Five-Year Plan and perhaps beyond. First, we must further rationalize the set-up production so as to modernize the economy and keep pace with the people's increasing demand for goods and their changing consumption patterns. Second, we must shift the emphasis of development to the technological transformation, renovation and expansion of existing enterprises, and have them expand reproduction chiefly by intensive means. Third, we must establish correct relationships among different regions in terms of economic development and help to rationalize geographical distribution of the regional economies. Only by accomplishing these overall tasks, while constantly improving the economic performance of enterprises, can we truly raise the labour productivity and general economic efficiency of the entire community, thus providing a more reliable guarantee for the continued improvement of people's living standards. For this reason, we must faithfully adhere to the following six principles.

8. The first principle is to further improve working conditions and promote steady, all-round development in agriculture through policy and science. Agricultural growth remains the foundation for the development of China's economy as a whole. We must pay full attention to its strategic importance. In accordance with the principle of all-round development of farming, forestry, animal husbandry, sideline production and fishery and combined operation of agriculture, industry, commerce and transport, we should further readjust the set-up of rural production and gradually specialize, commercialize and modernize agriculture, in order to better meet social needs. During the period of the Seventh Five-Year Plan we must not neglect grain production, but rather adopt effective policies and measures to steadily increase it. In areas that are suitable for growing grain we must try to raise per unit yield, increase variety and improve quality. On this basis, we should grow various cash crops in the light of market demand and natural conditions and, at the same time, speed up the development of forestry, animal husbandry, and cultivation of fresh-water and marine products, thus increasing their proportion in agriculture as a whole. In the suburban areas of large and medium-sized cities emphasis should be put on expanding the production of vegetables, poultry, eggs, milk and other kinds of non-staple food to supply the daily wants of urban residents. We should systematically transfer surplus labour in the rural areas from growing crop to other lines of work and, in accordance with local conditions, develop rural industry, transport and communications, building and mining industries, commerce and all kinds of service trades.

9. Developing town and township enterprises is the essential way to revitalize China's rural economy. This development requires enthusiastic support, rational planning, correct guidance and improved management. Generally speaking, the development of town and township enterprises should be based on and serve agriculture, with emphasis on processing farm produce and on such related services as storage, packing, transport, supply and marketing. Where possible, small-scale mining, hydroelectric power and building materials industries should be developed, as long as state regulations are observed and natural resources protected. In the light of actual needs and their own potential, economically-developed rural areas may direct their processing industries towards large industry and export. In developing town and township enterprises, local authorities should rely mainly on their own funds, act within their capabilities, make steady progress and avoid acting blindly. Town and township enterprises should do all they can to improve management and product quality, update production technology, increase economic efficiency and make sure that they do not pollute the environment.

10. To revitalize the rural economy, we must adopt the following policies and measures:

- 1) Continue to improve such modes of management as the contracted responsibility system that is based on the household and links remuneration to output and, encourage the peasants to engage in various forms of co-operation and joint operations on a household basis and on a voluntary and mutually beneficial basis.
- 2) Under the guidance of state planning, increase the role of market forces in regulating agricultural production and further relax controls on and readjust the prices of farm and sideline products in order to rationalize the set-up of production and the growth of the commodity economy in the rural areas.
- 3) Make it a principle that anyone who invests in or manages an enterprise will receive the benefit of it. This will encourage the peasants to run town and township enterprises, undertake agricultural infrastructural projects and provide commodity storage and transport facilities, thus promoting the development of commodity production and export centres for farm, sideline, local and special products.

- 4) Speed up the technological transformation of agriculture, intensify intellectual development in the countryside and vigorously spread the use of agricultural science and technology. This will help to raise the technological level of agricultural production and to improve product quality and economic results.
 - 5) Increase state investment in agriculture, especially for water conservancy projects, farmland capital construction, cultivation and importation of fine strains, supplies of chemical fertilizers, farm chemicals, farm machinery and plastics used in agriculture, speeding up afforestation and soil conservation projects to improve the ecological environment.
 - 5) End the irrational setting of quotas so as to lighten the burden on peasants.
11. The second principle is to expand the production of consumer goods and residential construction. During the period of the Seventh Five-Year Plan, consumption patterns of both urban and rural residents will become diversified, with greater emphasis on better nutrition and improved clothing and housing. The demand for medium- and high-grade manufactured goods, including durable goods, will increase considerably. To keep pace with this development, we must greatly increase brand-name and high-quality products, turn out new products and open up new branches of production, while continuing to do a good job of producing daily necessities. We should give priority to the food, garment and durable consumer goods industries so that they can promote the expanded manufacture of consumer goods as a whole.
12. To ensure rapid growth of the consumer goods industry, we must continue to give it priority in procurement of loans, access to foreign exchange, the use of energy, raw and semi-finished materials and transport services. Price differences must gradually widen between ordinary products and brand-name, high-quality and new products, in order to encourage greater variety, better quality and the manufacture of new products. The product mix of heavy industry should be further readjusted to provide more and better raw and semi-finished materials for the manufacture of consumer goods. To ensure processing enterprises a stable source of raw and semi-finished materials, they should establish direct links with the producers of these materials through co-ordinated or joint operation with them. This practice should be widely encouraged.
13. We should commercialize housing in the cities and towns and speed up the growth of residential construction industry, making it a pillar of the national economy. For a long time, China has pursued a policy of centralized construction and allocation of housing in cities and towns, collecting very low rents. This policy has not only hampered the solution of the housing problem but has also imposed an increasing financial burden on the state, thus weakening the construction industry and causing the purchasing power of urban residents to be lopsidedly concentrated on durable consumer goods. We should formulate a set of well-considered methods as soon as possible to gradually commercialize housing.
14. The third principle is to muster the necessary financial, material and technical resources to carry out, with due attention to quality and efficiency, a number of key projects in the energy, transport, telecommunications and raw and semi-finished materials industries. In China today there still exists a huge gap between supply and demand for energy and raw and semi-finished materials. And transport and telecommunications are extremely backward. Only when this state of affairs is gradually changed will it be possible to ensure balanced and continuous economic growth.
15. The energy industry should focus on increasing electric power. We should actively develop thermal and hydropower resources and systematically build nuclear power stations in selected areas, so as to increase the country's total annual output of electricity to 550 billion kWh by 1990.

We should also boost the country's annual coal output to one billion tons by 1990. In addition, we should redouble our efforts to prospect for and develop oil and gas resources and to improve, renovate and expand old oil fields so as to bring the country's annual output of crude oil to 150 million tons by the same year. To accelerate the development of the energy industry, we must increase state investment in that sector so it constitutes a larger proportion of the total. The barriers between different departments, trades and regions must be broken down to encourage all quarters to expand the energy industry. Energy prices should be gradually raised so as to rationalize the pricing system. Conservation should be emphasized as well as exploitation, with a view to saving 100 million tons of standard coal in five years.

16. We must give priority to the development of transport and telecommunications. We should continue railway construction, step up the development of road, water and air transport, improve networks and promote the modernization of transport and the rational co-ordination of its different forms, to increase efficiency and improve quality. We must try to increase the volume of freight handled annually so that by 1990 it is 30 per cent greater than in 1985. We should also improve passenger transport. To accelerate the development of transport, we should make automobile manufacturing a key industry and strive for substantial growth in this sector, while also developing the locomotive, aircraft and ship-building industries. In telecommunications, we should concentrate on increasing the capacity for local and long-distance calls in large and medium-sized cities, especially in the coastal cities opening to the outside world. At the same time, we must also develop modern means of telecommunications, including communications and broadcasting satellites. To speed up the growth of transport and telecommunications, the state should increase investments in these industries, focusing on major projects and infrastructural projects. The construction of local roads, railways, inland waterways and communications projects should be carried out mainly by local people and authorities with funds raised by themselves, the state providing whatever assistance is necessary. In accordance with actual needs and objective possibilities, we should allow local authorities and departments to undertake air transport.

17. With regard to the raw and semi-finished materials industries, we should turn out more products that are now in short supply, raise technological levels and increase the variety and quality of products. In the iron and steel industry, we should lay stress on the renovation, expansion and technological transformation of key enterprises. Our goal is to produce 44 million tons of rolled steel in 1990, with a larger proportion of such effective types as alloy and low-alloy steels. In the non-ferrous metal industry we should adopt new technologies, continue to renovate and expand major production bases and build new ones. In the chemical industry, we should step up the construction of mines and the production of basic chemicals, open up new branches of production and increase the output of compound chemical fertilizers, other farm chemicals and refined chemical products. In the petrochemical and coal-chemical industries, we should adopt advanced techniques to achieve highly efficient production and intensive processing. To meet the needs of the booming construction we must greatly expand the production of cement, glass and other materials, and of new and synthetic materials and lumber substitutes in particular. Attention should be paid to the development and utilization of silicate and other non-metallic mineral resources. In every aspect of the raw and semi-finished materials industries, we must stress multiple applications.

18. We should carry out more geological surveys to meet the needs of expanded production and development in the energy, transport and raw and semi-finished materials industries. We should continue to prospect for new mineral deposits and apply advanced science and technology to accelerate both prospecting and the appraisal of resources. We should also accelerate the comprehensive survey, appraisal and exploitation of mineral resources and achieve greater social benefits and economic results in geological work. This will enable us to serve the key development projects better and to prepare the mineral resources and geological data required for the steady development of the economy in the 1990's and the early years of the next century.

19. The fourth principle is to accelerate the development of the tertiary industry that serves production and meets people's everyday needs and to gradually bring tertiary industry in step with the primary and secondary industries. The rise of tertiary industry is an inevitable trend resulting from the further division of labour and from the continual growth of labour productivity. It is one of the important marks of a modern economy. For a long time China has been very backward in its tertiary industry, with poor means of transport, inadequate information facilities, slow service before and after the production process and underdeveloped commercial and financial services and technological consultancy services. As a result, funds have been used inefficiently, productivity has remained low, and life has been made difficult for the people. The development of tertiary industry must be accelerated and its proportion of the national economy expanded. This is both a strategic measure designed to create a new pattern of economic development and an essential reform in developing a commodity economy.

20. The key to launching tertiary industry, particularly that which directly serves the people, lies in further relaxing restrictions and vigorously developing the collective and individual sectors of the economy. With the exception of wholesale stores and large and medium-sized retail stores, existing state commercial enterprises can gradually be transformed into collective enterprises. Some small stores may contract with, or be leased to, individuals for management. The state should increase investment in tertiary industry, mainly for the construction of key projects and large facilities. Local authorities should also increase their investment in this industry, as appropriate. Service trades in rural areas and small towns should be run mainly with funds raised by the peasants. It is essential to accelerate the training of personnel for tertiary industry and to raise their level of competence.

21. The fifth principle is to accelerate the expansion, renovation and technological transformation of existing enterprises and to equip all sectors of the economy with advanced technology. Renovation, expansion and technological transformation of existing enterprises, carried out in accordance with available resources, are essential means of speeding up the modernization of the economy.

Technological transformation should focus on the large and medium-sized enterprises that have a vital bearing on the overall economy, on those key enterprises that will serve as examples and leaders in technological progress in their fields and on those that produce commodities for export. Since the machine-building and electronics industries are responsible for equipping the other sectors of the economy, they should be the first to update their technology. In particular, we should make it possible for key enterprises to achieve faster technological progress. The national defence industry, with its vast material and technological resources, should do all it can to develop and manufacture technologically advanced products for civilian use, provided it fulfills its tasks in the manufacture of and research on weaponry and equipment. The old industrial cities and bases are expected to make greater advances in technological transformation and to take full advantage of their huge potential in terms of economic results. Enterprises should focus on improving the quality and properties of products, increasing variety and lowering the consumption of energy and raw materials, and they should not seek solely to expand capacity.

By 1990, the quality and properties of a considerable proportion of the products of all trades should have reached the level of those of advanced countries in the late 1970s and early 1980s, and a number of important products should be up to international standards.

22. We should draw up a scientific, realistic plan for all trades, combining technological transformation with realignment of trades, reorganization of enterprises and formulation of technological policies. Barriers between departments, between regions and between the military and the civilian sectors must be removed. We should, where necessary, reorganize enterprises and urge them to combine in association according to the principle of co-ordination among specialized departments and on a rational and economical basis, so as to achieve an appropriate mix of large, medium and small enterprises. All trades should formulate realistic policies for technological development and for the introduction of technical equipment in light of progress abroad and specific conditions at home. We should make it a policy to spread the standardization of technology.

23. The way to accelerate the technological transformation of existing enterprises is to tap their potential for technological renovation and the exploration of new technologies and to create favourable external conditions for progress. During the period of the Seventh Five-Year Plan, we should earmark a larger proportion of total investment for technological transformation and increase the rate of depreciation in selected trades. Funds used for depreciation should largely be put at the disposal of the enterprises. Preferential treatment should be given to enterprises in matters of taxation, pricing and credit so as to encourage them to upgrade their products and trial-produce new ones. Trades that make only small profits should be given the financial assistance necessary for their technological transformation. Products that are of poor quality, production methods that are energy-inefficient or environmentally polluting, backward techniques and outdated equipment must be eliminated within a given time limit.

24. The sixth principle is to handle correctly the relationship between the eastern, central and western economic regions, fully exploiting their advantages and developing their lateral economic ties so as to gradually establish economic networks around large cities, at different levels, of varying dimensions and with distinctive characteristics. China's economy can be divided into three major geographic regions: eastern, central and western, and the objective tendency of development is to push from east to west. The guiding principle should be to integrate the growth of the eastern region with that of the central and western regions so that they all support each other and help to revitalize the economy as a whole, making the people prosper. Although there should be an order of priority in the economic development of various areas, that does not necessarily mean that development of one area must be postponed pending development of another. The eastern region should take the initiative and consider how to assist the central and western regions to develop. Absorbing money, technology and management expertise from the eastern region, the central and western regions on their part should better exploit their own advantages and in turn assist the eastern region, thus bringing about a more rational balance in the national economy.

25. During the period of the Seventh Five-Year Plan and through the 1990s, we should speed up the development of the eastern region. At the same time, we should concentrate on building the energy industry and the raw and semi-finished materials industries in the central region and lay the groundwork for the development of the western region. In the eastern region, we should introduce new methods and technology into conventional industries and develop new industries, such as knowledge- and technology-intensive industries and new industries manufacturing high-grade consumer goods.

At the same time, we should make further efforts to introduce investment from abroad and establish lateral ties at home, taking active measures to enter the world market, so that the economy in the eastern region fans out in two directions. In the central region, we should emphasize the development of energy sources (electricity, coal and petroleum), iron, non-ferrous metals, phosphorus and building materials. At the same time, where conditions permit, we should develop knowledge- and technology-intensive enterprises and new industries. In the western region, we should concentrate on developing farming, forestry, animal husbandry and transport, exploring local resources, fostering processing industries and manufacturing products specially needed by the various minority nationalities. In both the central and western regions, we should take advantage of the production capacity of the national defence industrial bases already located there and give them a bigger role to play.

26. It is very important to promote economic and cultural development in the areas inhabited by minority nationalities. We must take vigorous measures to help the old revolutionary base areas, outlying districts and other impoverished areas to eliminate their backwardness. During the Seventh Five-Year Plan period, the state and developed areas should continue to provide those places with financial, material and technological aid. We should adopt policies and measures that will encourage more specialists to [The same item, at this point, rewords the preceding phrase as follows: "We should adopt necessary policies and measures that will in every way encourage more specialists to..."] work in the outlying and underdeveloped areas. But it is even more important to adopt more flexible policies and to train the local people and strengthen their capacities so that, with the help of the state, they will be able to develop their economy and culture largely through their own efforts.

27. As the productive forces grow, and particularly with the flourishing of the rural economy, increased urbanization and the emergence of new cities are inevitable. In the light of China's specific conditions we should draw up a rational plan for the structure and geographical distribution of urban development. We should take firm measures to prevent large cities from becoming overcrowded and focus on developing small and medium-sized cities and towns. However, with our vast territory, poor transport services and inadequate information facilities, the small and medium-sized cities should not be scattered over too wide an area. They should be built in different sizes, with distinctive features, around large cities and along main communication lines so as to form a rationally distributed network.

28. We should analyse land use and work out plans for the preservation of soil fertility in keeping with natural and economic laws. During the period of the Seventh Five-Year Plan we should link economic development with the harnessing of selected major rivers and with the comprehensive exploitation of regions. In the course of production and development, we should observe the relevant laws and regulations concerning protection of the environment and the ecological balance and pay serious attention to the protection and conservation of water, land, mineral and forest resources. We should exercise strict controls over the use of arable land for non-agricultural purposes. In particular, we should try to solve the problem of water resources in the northern areas. We should devote major efforts to planting grass and trees, so as to prevent soil erosion, and the erosion of land by sand in certain regions. All these things should be embodied in plans for national economic and social development as elements of basic, long-term state policy.

Science, Education and Culture

29. During the period of the Seventh Five-Year Plan we shall face new situations and tasks in our scientific and technological work.

Changes in the set-up of production and consumption patterns, progress in the technological transformation of existing enterprises, the launching of key construction projects and increases in both the quantity and variety of imported technology have given rise to a host of major problems in science and technology that demand urgent solution. The new technological revolution is bringing about profound changes in production, trade, consumption patterns and people's lives the world over. Unless we adopt proper measures to meet this stern challenge, certain advantages which China enjoys in terms of geographical location, natural resources, manpower and other things will diminish. Our weaknesses, such as poor information flow, backward technology, inadequate investment funds and shortage of trained personnel, will become increasingly prominent, and it will be even harder for us to catch up with the developed nations economically and technologically. We must fully recognize the decisive role of the modernization of science and technology in the modernization programme as a whole. We must continue to adhere to the principle that economic development depends on scientific and technological progress and that scientific and technological work must be geared to the needs of economic development. We must attach strategic importance to promoting scientific and technological progress, a task of overall and fundamental importance.

30. To meet the needs of the new situation and tasks, we must persist in the following endeavours in our strategy for scientific and technological development during the period of the Seventh Five-Year Plan, bearing in mind China's present technological capacity and economic conditions:

-- Vigorously develop and put into wide use those scientific and technological inventions which can yield best and fastest returns, apply new technology to improving traditional industries, techniques and products and step up the [The same item, at this point, adds: "...transfer and..."] diffusion of new technology at home so as to raise the production and technological levels of the whole society.

-- Concentrate on tackling key problems, especially vital technological problems arising from economic and social development and achieve results in major scientific and technological research projects.

-- Work hard to open up areas of new technology, especially micro-electronics, information technology and new materials. At the same time, accelerate research and development in such new fields as bio-engineering, aerospace technology, nuclear energy, lasers and oceanographic engineering, so as to gradually create a number of new industries.

-- Combine more effectively scientific and technological research at home with advanced technology introduced from abroad, and accelerate the mastery, application and further development of imported technology.

-- Intensify research in applied and basic sciences, and prepare the necessary scientific and technological reserves for long-term development.

31. The key to success in these strategic endeavors is to do a good job in two aspects of our work. First, all departments in charge of the administration of scientific and technological undertakings, and all research institutes, institutions of higher education and scientific and technological information centres should make full use of available knowledge and achievements, and of skilled personnel to help large numbers of enterprises, including rural ones, speed up their technological progress. Focusing on improving product quality and economic results, all enterprises should appreciate and encourage technical innovation by the masses of workers and other employees.

During the Seventh Five-Year Plan period, we should undertake projects which require a shorter construction cycle and produce quicker returns with funds provided by the state, local governments or individual enterprises. Second, we should organize all sectors, concentrate financial and material resources, and undertake key scientific and technological projects, so as to solve pressing problems in production and construction. At the same time, in research and development in new technology, we should try to accomplish a great deal in a relatively short period. Integrated circuits have now become indispensable to modern industry and society.

However, the development of the integrated circuit industry, which requires heavy investment, sophisticated technology, rapid retooling and a large number of subsidiary industries, calls for concerted effort under unified planning by the state. In developing the computer industry, we must keep Chinese conditions in mind and give priority to the development of micro-computers and software, which have extensive applications.

32. We should continue deploying forces for research in both applied and basic sciences, try to organize them and properly arrange their research projects, emphasizing those with prospects for application or those we have been working on for years. We should further strengthen the research work of the Chinese Academy of Sciences and institutions of higher learning, increase their [The same item, at this point, adds: "...contacts and..."] co-operation with each other and have them play a vital role in applied and basic research. Within the next five years, we should systematically modernize a number of key laboratories, improve their conditions for research work, and make them accessible to institutions of higher learning, research institutes and key enterprises throughout the country.

33. With regard to social sciences, we should strengthen the study of the basic principles of Marxism-Leninism and promote research on major theoretical and practical questions which are related to China's socialist modernization and serves to develop the country materially and culturally. During the period of the Seventh Five-Year Plan we should carry out in-depth studies of strategies for economic, scientific and technological and social development and of major problems of economic reform with the focus on cities, striving for high-quality results in a number of research projects. We should intensify studies in new branches of learning and frontier sciences and improve the system of research in the social sciences.

34. Economic construction, social development and scientific and technological progress all depend on the intellectual development of the Chinese nation, an increased number of trained personnel, and further growth of education based on economic development. During the period of the plan we must attach as much importance to education as we do to economic development and, orienting our work to the needs of modernization, the world and the future, strive to bring about a new situation in education.

35. Universal elementary education is a major foundation for and a mark of modern civilization. During the period of the plan we should gradually introduce nine-year compulsory education, while redoubling our efforts to eliminate illiteracy. In cities, developed areas in the coastal provinces and a few developed interior areas, we should make junior middle school education universal and ensure its quality. In less developed towns and rural areas, we should give priority to making primary school education universal and, at the same time, prepare to make junior middle school education universal during the Eighth Five-Year Plan period. In economically backward areas, we should, as the economy grows, popularize elementary education in different forms and to varying degrees. We should do a good job of elementary education in the autonomous regions of the minority nationalities and in areas inhabited solely by them.

While promoting nine-year compulsory education, we should work hard to develop pre-school education and special education for the physically and mentally handicapped.

36. Vocational and technical education has become a major component of a modern educational system. During the period of the Seventh Five-Year Plan we must reform the employment system in line with the principle of training people before they are given jobs and expand vocational and technical education. In this way we will make student enrolment in vocational and technical schools at the senior middle school level equal to that of regular senior middle schools in most areas. In the meantime, we must develop vocational and technical education and short-term training at the junior middle school level. A total of more than 8 million students are to be trained in polytechnic schools and vocational and technical schools within five years, an increase of 150 per cent over the period of the Sixth Five-Year Plan. We should augment on-the-job training of cadres, workers and peasants to update their knowledge and improve their skills.

37. So far as higher education is concerned, we must fully tap the potential of existing universities and colleges and reinforce their ties with production and scientific research and other sectors of society. We must also encourage them to meet the needs of economic, scientific, technological and social development on their own initiative. We should continue to readjust the faculties and administrations of institutions of higher education, accelerate the growth of disciplines which we lack or are weak in, and support the expansion of new branches of learning and frontier disciplines. We should avoid over-specialization of disciplines and try to redefine them. During the period of the Seventh Five-Year Plan the institutions of higher education will turn out 2.6 million graduates through regular or special college courses, 70 per cent more than in the years covered by the previous plan, and 200,000 through postgraduate courses, an increase of more than 400 percent. While systematically sending more students to study abroad, we should make proper job arrangements for returned students, taking full advantage of their expertise. We should continue to expand adult higher education through varied forms as radio, TV and correspondence and evening courses and to improve its quality. Within the five years we need to train two million specialized personnel with cultural, scientific and technological qualifications at or above the level of graduates from technical colleges. This would be a growth of 150 per cent over the previous plan period.

38. We should further expand such cultural undertakings as the press, publishing, broadcasting, television, literature, art and physical culture. The press should faithfully publicize the line and the general and specific policies of the party and, at the same time, satisfy people's demands for information, knowledge, entertainment and other things. In expanding all the cultural undertakings, we should be guided by the principle of serving socialism and the people, and we should correctly balance economic and social benefits, giving priority to the latter. All cultural undertakings, including those of literature and art, the cinema, TV, music, dance, drama, the fine arts and folk art, should produce more and better works, so as to enrich the cultural life of the people, increase their artistic appreciation, elevate them to a higher mental world and inspire them to dedicate themselves to the great cause of rejuvenating China. We should expand radio and TV coverage, improve printing techniques for newspapers and books and shorten publication cycles. We must raise our levels in all sports events still higher through mass sports activities, improving people's physical fitness. All libraries, museums, science and technology halls, art galleries, cultural halls, stations and centres, gymnasiums and stadiums should adapt their work to the needs of the new situation and tasks so as to better serve the people. We must conscientiously protect historical relics and step up our work on historical archives and records.

39. Party committees and governments at all levels should strengthen their leadership over scientific, technological, educational and cultural undertakings and find ways of overcoming the difficulties that arise as those undertakings expand. We should gradually increase outlays for education, scientific research and cultural projects. The rate of increase of educational appropriations by central and local governments should exceed the rate of increase of their regular revenues. The most important things at present are, first, to implement the two decisions of the Central Committee on reforming the structure of scientific and technological management and educational management and, second, to explore reforms in cultural fields and further implement the policies regarding intellectuals. We must work harder to eliminate prejudice against knowledge and skilled people, to promote a social climate of respect for knowledge, teachers and other educated people and enable China's intellectuals to play an important role in the socialist modernization programme. We should continue to take effective measures to gradually enhance the competence, raise the social status and increase the material benefits of scientists, engineers, teachers and other specialized personnel and to provide them with better working, studying and living conditions.

Foreign Trade and Technological Exchange

40. It is China's basic national policy to open to the outside world. During the period of the Seventh Five-Year Plan we should further promote trade and technological exchange with all other countries, both developed and developing, in accordance with the principle of independence [The same item, at this point, adds: "...self-reliance, equality..."] and mutual benefit. Between 1985 and 1990 we should increase total imports and exports by 40 to 50 per cent and, at the same time, use more foreign investment and introduce more advanced technology, so as to accelerate China's socialist modernization.

41. The key to implementing the open policy with an increased use of foreign funds and imported technology is to increase foreign exchange earnings through exports. To accomplish this, which is of paramount importance in our modernization programme, we must adopt [The same item, at this point, adds: "...correct..."] strategies which meet the demands of the international market and correspond to China's domestic conditions. The strategies should cover the following three aspects: the mix of export commodities, the search for a bigger international market and the arrangements for the production of export commodities. In the long run, we must gradually bring about two changes in the mix of export commodities: our main exports must change from primary products such as raw materials to finished products, and they must change from roughly processed products to finely processed products. During the period of the Seventh Five-Year Plan we should continue to increase exports of petroleum, coal, non-ferrous metals and farm, sideline, native and special products. In particular, we should export more products of the traditional textile and other light industries as well as of the new and expanding food processing industry, exploiting China's advantages in these areas. [The same item rewords the preceding phrase as follows: "...increasing China's exports in these areas."] We should give an important place to the export of machine tools and electrical products so as to gradually make available a number of such products which are strongly competitive on the world market. We should enhance the trial-manufacture and development of export products and maintain a policy of quality first, working to improve quality, grading and packaging, and thus enhance our capacity to earn foreign exchange. Meanwhile, we should expand the export of technology. With respect to the search for a bigger international market, while continuing to consolidate and expand the existing market, we should also open up new markets, establish and expand trade ties with all other countries, and gradually build and improve a system of sales promotion and a service network abroad.

Geographically, we should fully exploit the advantages of the coastal areas and certain others to establish centres for the production of various export commodities, thus steadily improving the production network. We should also step up technological co-operation, co-ordinated management and joint ventures between the coastal and interior areas so as to make use of the latter's rich natural resources. China has great potential for increasing the export of labour services and undertaking contracted projects for foreign countries. We must strengthen leadership over and unified planning for this endeavour and enable it to grow considerably during the period of the Seventh Five-Year Plan. At the same time, we should do more to expand tourism, international air and marine transport and similar undertakings to increase the amount of foreign exchange earned from sources other than trade.

42. To encourage exports and increase foreign exchange earnings we should adopt the following policies and measures. We should organize and expand the supply of export commodities. Except for a few major commodities vital to the national economy and the people's everyday life, whenever there are conflicts between export and domestic sales, priority should be given to the needs of exports. We should step up the construction of bases for the production of export commodities and, where conditions permit, set up export commodity processing zones with distinctive characteristics and ability to earn foreign exchange. We should improve the system whereby foreign exchange earnings are distributed. A fund should be established for an export development award. Economic awards should be given to regions, departments and enterprises which have scored outstanding achievements in expanding exports and increasing foreign exchange earnings. It is particularly important for us to use such economic levers as pricing, exchange rates and customs duties to encourage the production of export commodities.

43. Maintaining the balance in foreign exchange is a difficult, long-term task. We must emphasize economic efficiency in the use of foreign exchange, which should promote domestic technological progress and enhance our ability to earn more foreign exchange. We should readjust the mix of import commodities in accordance with this principle, giving priority to computer software, advanced technologies and key equipment. It will be necessary for us to import certain means of production and consumer goods which are badly needed and in short supply on the domestic market. However, we should in no case support an excessive rate of production or overextended scale of construction by importing raw materials with large sums of foreign exchange over a long period of time. Nor should we stimulate domestic consumption by importing too many high-grade consumer goods. We should make every effort to produce at home those goods that China can produce and refrain from blindly importing them, so as to protect and stimulate the development of the domestic industries. In assembly-line industries that use imported spare parts and accessories, we should reduce the proportion of imported components and gradually substitute ones of our own manufacture. We must see to it that the technologies introduced are mastered, applied and developed and that they gradually become standardized. In order to centralize guidance and control in this area, the state should draw up national plans and policies for the import and integration of technologies and should initiate a licence system to avoid the duplication of imports and the lack of co-ordination between imported technology and domestic research and development.

44. We must, as far as possible, use foreign funds in diversified ways to accelerate economic development. We should work harder to strike an overall balance in the use of such funds, guide that use correctly and improve its economic efficiency. In using foreign loans on preferential terms, we should give priority to the construction of such infrastructural facilities as energy, transport and telecommunications. More foreign commercial loans should be used in the more highly developed areas and for those projects that bring high economic results, have strong potential for earning foreign exchange and produce goods that can be substituted for imports.

In accordance with the principle of equality and mutual benefit, we should welcome foreign firms and traders that wish to engage in joint ventures or co-operative enterprises with us or to launch ventures exclusively with their own investment, especially those which require intensive technology and are mainly intended to earn foreign exchange through exports. We should further improve laws and regulations concerning foreign nationals and firms, strengthen infrastructure and increase efficiency, to make investment more attractive to foreigners.

45. The special economic zones, the coastal cities opening to the outside world, the Zhujiang (Pearl) River and Changjiang (Yangtze) River Deltas, the triangular area in southern Fujian Province, and the Liaodong and Jiaodong Peninsulas have the exceptionally important tasks of expanding import and export trade, using foreign investment funds and importing technology. These areas should readjust their production set-up in accordance with export needs and make it possible for a greater number of competitive commodities to find a way into the international market. We should continue to apply special policies and flexible measures in Guangdong and Fujian provinces. While constantly introducing advanced technologies from abroad, the special economic zones should gradually shift the emphasis of production to export goods so as to earn more foreign exchange for the state. In close co-ordination with local authorities and in accordance with the general requirements of national economic development and the principle of proceeding at all times from actual conditions, the relevant government departments should draw up development plans for the special economic zones, cities and areas opening to the outside world. They should systematically carry out construction and development in these places with selected key projects, and make it possible for them to play a more effective role as China's vanguard in opening to the outside.

46. We should redouble our efforts to introduce intellectual resources from abroad in different ways and through different channels. One effective way of doing that is to co-operate with foreign engineers and technicians in product development, technological design and project construction, and we should work hard at this. We should further emancipate our minds, make policies more flexible and solve practical problems so as to enable the highly skilled people invited from abroad to play their role more fully.

47. We must analyse our experience and further reform the management systems of foreign trade and foreign exchange. We should gradually improve the system of custom duties, the system of import and export licencing and the system of exchange rates. Under unified planning and policy and taking co-ordinated action in respect of foreign countries, the authorities at lower levels should be given more power to manage foreign trade, as economic levers are used more effectively and management improves. We should continue to practise unified management of the staple export and import commodities. Where conditions permit, enterprises can be given the power to undertake foreign trade directly. Where they do not, we should institute a system whereby foreign trade corporations act as agents or purchasers. We should exercise centralized control over the management of foreign exchange and foreign debts. Exchange rates should be readjusted rationally according to price fluctuations on both the domestic and world markets. In opening to the outside world, we must enforce discipline and oppose all acts that harm the interests of the state and the people. All illegal practices, including bribery, smuggling and obtaining large sums of foreign exchange without state authorization must be severely punished according to law.

Economic Structure and Means of Regulation

48. To ensure the successful fulfilment of the Seventh Five-Year Plan and sustained and balanced economic growth beyond that period, the most important thing is for us to restructure the economy, prudently but steadfastly, in accordance with the decision of the third plenary session of the Twelfth Central Committee and in the next five years or more to lay the foundation for a vigorous socialist economic structure with Chinese characteristics.

49. Building a new type of socialist economic structure depends primarily on successes in the following three related areas. First, further stimulating all enterprises, and especially the large and medium-sized ones owned by the whole people, so that they will work efficiently as socialist producers and distributors of commodities, each enjoying relative independence and full power of management and bearing complete responsibility for profits and losses. Second, further expanding the socialist planned commodity markets, and gradually improving the market network. And third, gradually reducing state management of enterprises from direct to indirect control, and supervising and regulating economic activity mainly by economic, statutory and, if necessary, administrative measures. Focusing on these three areas, we must introduce a series of mutually reinforcing reforms in the planning system, the pricing system, the fiscal system, the banking system and the labour and wage system so that these mechanisms will function together, integrating planning with market regulation, and micro-flexibility with macro-control. Accomplishing this will lead to a satisfactory handling of various economic relations, making it possible to harmonize the interests of the state, the collectives and individuals, to achieve greater uniformity in the speed, proportion and efficiency of economic development and to bring about self-sustained growth in our national economy as a whole.

50. Invigorating enterprises is the key element in the economic restructuring with its focus on the cities. We must implement the decision and regulations issued by the Central Committee and the State Council for expanding the decision-making power of enterprises and continue to adopt measures, both inside and outside enterprises, to enhance their vitality, especially that of the large and medium-sized ones. These measures should include the following:

1) Further streamline administration and delegate more power to lower levels. With the exception of certain departments and trades where conditions are somewhat unusual, ministries of the central government, the provinces and autonomous regions should no longer directly control enterprises. In the cities, we must also draw a clear distinction between the responsibilities and functions of government and those of enterprises, reduce the intermediate levels, and grant enterprises the managerial power to which they are entitled. 2) Gradually reduce regulation taxes on large and medium-sized enterprises, lighten irrational burdens on them and gradually improve management policies and the taxation system for collective and individual businesses to allow all enterprises to compete with each other on an equal footing. 3) Systematically reduce mandatory planning to give enterprises greater decision-making power over production, supply and marketing and over the use of manpower and financial and material resources. At the same time, improve micro-economic mechanisms to enable enterprises to shoulder full responsibility for their own management. 4) Exercise control over total social demands, maintain a balance between demand and supply and bring the pressure of market competition to bear upon enterprises, so as to encourage them to improve their management and achieve better economic results. 5) See to it that all enterprises do their best to perfect various forms of the responsibility system and promote to leading posts persons of ability and political integrity. Depending on specific conditions in each enterprise, this may be done through appointment after observation, democratic election, self-recommendation and recommendation, recruitment by advertisement and examination or through invitation. The responsibilities and power as well as rewards and penalties for such administrators as managers and factory directors must be clearly defined to give full scope to their initiative and pioneering spirit. Efforts should be made to strengthen democratic management, to encourage the workers and administrative staff to play their part as masters of the enterprises and to make best use of their intelligence and talent.

6) Turn some of the small state-owned enterprises over to collective or individual management, by contract or lease.

51. In order to invigorate enterprises, barriers between different departments and between regions must be broken down, and provinces, autonomous regions, cities of all sizes and all rural areas should open their doors to each other and expand their commodity markets, under the guidance of planning. We must not only continue to expand the consumer goods market, but also gradually reduce the varieties and quantities of means of production allocated by the state, so as to expand the market for them as well. To meet the needs of market expansion, we should gradually open up or expand the market of funds and of technology and encourage a rational flow of labour. Only by establishing an integrated network of [The same item, at this point, adds: "... socialist..."] markets under the guidance of state policies and plans and by improving market management can we enable competitive forces to play their role in selecting the superior and eliminating the inferior and allow economic levers to perform their regulatory function to fundamentally improve economic efficiency in enterprises and society as a whole. As the market network steadily improves, we must gradually reduce the scope of mandatory planning in favour of guidance planning, strive for an overall balance and shift the emphasis of planning to exercising indirect but more comprehensive macro-control through various economic policies and measures.

52. The key to the gradual establishment and perfection of the market system is reform of the pricing and price control systems. Except for a few major commodities whose prices should continue to be determined by the state, price controls on everyday consumer goods should be systematically relaxed and replaced by market regulation. As for major means of production, we should gradually reduce the proportion of goods whose prices are set by the state, increase the proportion of those whose prices are determined by the market, and steadily readjust planned prices so that the disparity between the planned and market prices will gradually diminish. The increase in production costs due to the rising prices of major means of production should be offset as much as possible by raising labour productivity, reducing consumption of energy and materials and making full use of enterprises' potential. We must strictly control the extent of price increases. [The same item, at this point, adds: "...which are caused by a chain reaction."] The fees charged by certain major public utilities and service trades should remain under state control and should be readjusted in a planned way. Price controls in tertiary industry should in general be gradually relaxed. Through these reforms, we will establish a pricing system that combines uniformity and flexibility by controlling prices on a few commodities and services and allowing prices for most of them to float. Thus we will expand the regulatory role of prices as the most important and efficient economic lever in production, distribution and consumption. In reforming the pricing and price control systems, we must consider the capabilities of the state, the enterprises and the people and maintain the basic stability of overall price levels to avoid excessive social repercussions. This is a principle we must strictly observe. Industrial and commercial administration departments must enforce rigorous control over prices. All state-owned industrial and commercial enterprises, supply-and-marketing departments and co-operatives should accumulate enough materials and economic means to take an active part in regulating the market and in keeping prices stable through purchases and sales. This is indispensable to the smooth progress of price-reform, and is an essential element in the planned commodity economy.

53. We must reform the fiscal and taxation systems as to ensure reliable and adequate revenues for the state, while keeping taxation fair and reasonable and encouraging competition.

This will promote efficiency and steady economic development. By readjusting the overall scale and structure of revenues and expenditures, we must regulate and control the volume and pattern of social demand and achieve a balance between revenues and expenditures. After the past few years of reform, our taxation system has taken a new direction. We must make further improvements, introduce reasonable tax categories, readjust tax rates and encourage industrial enterprises and institutions to make the best possible use of favourable conditions to meet the needs of society. We must distribute revenues rationally among the state, the collectives and individuals. The after-tax profits available to state-owned enterprises must be gradually increased to expand their capacity for transformation and development. With regard to tax categories, a distinction must be drawn among taxes which go to the central government, those which belong to local governments and those to be shared between the two. Likewise, expenditures which are to be made by the central government should be distinguished from those for which local governments are responsible, so that each will manage its own financial affairs. From now on, state budgetary funds will be invested primarily in the construction of infrastructure and non-profit projects. Investment funds of profit-making enterprises and institutions will mainly come from their own reserves or from joint investment, fund raising and bank loans. The government will guide the direction of investments [The same item rewords the preceding phrase as follows: "...the direction of nonbudgetary investments..."] by enterprises by subsidizing their interest payments, or by providing them with other financial assistance.

54. We must reform the monetary system to enable all banks to work as efficiently as possible in collecting and circulating necessary funds, guiding the flow of funds in desirable directions, promoting an increasingly efficient use of them and regulating overall social demand. The People's Bank of China, which serves as the country's central bank, is one of the most important macro-regulators of the national economy. Therefore, it is necessary to strengthen its position and independence. The bank must exercise control over the total currency supply and volume of credit through an overall plan for credit, by monetary policy and the control of foreign exchange, as well as by such regulatory means as [The same item, at this point, adds: "...credit..."] interest rates, foreign exchange rates and reserves. In this way it will be able not only to keep inflation under control, but also to promote well-coordinated economic growth and make the economic structure more rational. So far as business operations are concerned, all monetary institutions must come under the [The same item, at this point, adds: "...leadership and..."] control of the People's Bank of China. The bank must also strengthen its supervision over [The same item, at this point, adds: "...and examination of..."] the operations of institutions and exercise strict control over the specialized banks and other financial institutions in matters relating to credit and loans. In carrying out reform, these specialized banks should steadfastly but prudently develop into enterprises. There may be some overlap in their business operations. All banks must tighten their screening procedures for granting loans and strengthen accountability in such granting. So long as they abide by the plans and policies approved by the state, they have the right to issue credit and loans independently. In doing so, however, they must assume responsibility for any risks involved. Governments at all levels should supervise and support banks everywhere in observing state monetary policies and ensure that their lawful rights are not infringed. Under the guidance and control of the People's Bank of China, they should employ all kinds of monetary tools to promote lateral circulation of funds and to gradually establish a market of funds.

55. As the state's role and methods in managing the economy change, the organizational structure of government departments responsible for economic management at all levels will be correspondingly readjusted and reformed. Departments in charge of overall management should be consolidated and strengthened. We must try to make their decision-making more scientific and to increase their ability to provide macro-control and regulation. We should appropriately expand the power of local governments to apply economic levers. It is necessary to make supervisory departments in charge of auditing, industrial and commercial administration, statistics, standardization and measurement more effective. We must establish more organs of economic supervision to handle economic legislation and adjudication. Departments for specialized economic management should shift from managing production in specific enterprises directly under their jurisdiction to managing a trade as a whole. They should map out development plans for an entire trade, conduct research in major economic and technical policies concerning that trade and organize information exchanges, technical research and the training of personnel. In accordance with this change in function, they must actively prepare for the gradual readjustment and streamlining of their organizations.

56. Comprehensive economic restructuring with focus on cities is a formidable and complicated problem of systems engineering. From now until the new economic structure takes shape, the entire process of reform should generally fall into the following three stages. First, after the expansion of the decision-making power of enterprises and some reduction of direct controls over the past few years, we must spend a year or two reinforcing indirect macro-economic controls, while continuing to revitalize enterprises, especially large and medium-sized ones. To accelerate sound development of the reform, we should follow this up with such measures as the use of economic levers, better economic legislation and supervision and the establishment of information networks. Second, in order to develop the socialist commodity market, we must gradually reduce the scope of mandatory planning, reform the price structure for means of production and the price control system, and further improve the taxation and financial systems. Third, we should gradually set up organizational structures that conform to the new systems, so as to resolve the question of the relationship between enterprises and government departments and of the barriers between different departments or regions, and with a view to the eventual separation of the functions of government from those of enterprises. Although each of these stages is distinct in emphasis, they are interrelated and overlap. By the time they are completed, our economic restructuring will have been basically completed.

57. Our experience in the reforms of the past few years shows that in future we must consider carefully what to discard and what to introduce, bearing in mind the following points: 1) We should greatly strengthen the state's indirect control over various economic activities and take corresponding measures to reduce its direct control over [The same item, at this point, adds: "...the scope, extent, and steps of..."] microeconomic activities. While continuing to invigorate enterprises, we should improve the systems and methods of indirect control. 2) In socialist economic management, a certain amount of administrative means will always be indispensable. But the essence of the reform should be to reduce the use of administrative means. It is for the sake of this future reduction and to ensure the orderly transition from the old structure to the new, that some administrative means must be reinforced for a certain period to ensure the orderly implementation of the reforms. 3) The deepening of the reforms and the growth of the economy demand that more guidelines for economic relations and activities be codified in the form of law, so that the law will become an important means of regulating them.

Therefore, we must emphasize economic legislation and adjudication, make them conform to the requirement of the reform, and strive to establish a more comprehensive system of economic statutes. Then we will have laws addressing every aspect of economic activity and will be able to abide by them and enforce them strictly. 4) We must educate the cadres and the masses so that they fully recognize the difficulty and complexity of carrying out the reforms, are clearly aware of the problems and risks that may arise in the process, enhance their understanding of policy, legality and the overall interest, and are mentally prepared to confront the difficulties. In the long run, reforms will promote a vigorous growth in productive forces and bring the people great material benefits. However, we cannot expect that every step in reform will bring immediate benefits to every person, because the beneficial results will only be obvious after the reform has been in effect for a certain period. It is important to the success of the reform that we explain this to the people.

People's Standard of Living and Social Security

58. To constantly raise the level of the people's material and cultural life as production grows and to achieve prosperity for all members of the society are the basic purposes of all the policies of our party and state in promoting the drive for socialist modernization. During the period of the Seventh Five-Year Plan, we must keep to the principle of distribution according to work, continue to encourage some areas, enterprises and individuals to become prosperous first, and overcome egalitarianism. At the same time, to ensure social stability and unity and to demonstrate the superiority of the socialist system, we should guard against wide discrepancies in income. We must make overall arrangements to employ the new labour force and create more job opportunities. By 1990 the average level of consumption for the country as a whole will increase by [The same item, at this point, adds the following: "...approximately..."] 25 per cent over 1985, and the discrepancy between the consumption levels and urban and rural residents will be further narrowed.

59. While continuing to increase the production of daily necessities, during the Seventh Five-Year Plan period we should also try to increase supplies of meat, poultry, eggs, milk, aquatic products, fruit, convenience foods and soft drinks. In addition, we need to increase supplies to textile products, of medium- and high-grade clothing and accessories, and of TV sets, refrigerators, washing-machines, brand-name bicycles, and furniture. Meanwhile, we should mobilize all sectors to speed up the construction of residential housing in cities and the countryside. While producing more consumer goods, we must also establish many more commercial and service networks. Efforts should be made to set up and expand all kinds of everyday services and to develop cultural and recreational establishments. As labour productivity increase, a vacation system should gradually be introduced for all personnel.

60. Improving the environment should be made an important aspect of improving the people's living standards and quality of life. In the period of the plan we must step up the construction of public utilities, such as water, sewage systems, electricity, gas, central heating, roads, public transport and telephones to make life more comfortable for the people. We should do more to monitor and prevent or remedy such public hazards as air, water, soil and noise pollution. We should improve the forecasting of natural disasters and take precautionary measures against them. Attention must be paid to environmental protection, and special efforts should be made to improve the environment in key cities and tourist areas. As part of sound city and town planning, we should develop land scaping projects and gradually create a clean, green and comfortable environment for people to live and work in.

61. We must strictly control population growth, expand public health services and improve the people's health. During the period of the plan, the number of persons entering the marrying and child-bearing years will reach a peak. We must place greater importance on family planning, carry it on unswervingly and try to reduce the average annual population growth rate to [The same item, at this point, adds: "... around..."] 12.5 per thousand within five years. We must improve health care for mothers and children and promote sound child rearing practices. We must expand the mass campaign to eradicate pests and communicable diseases, so as to improve public health in towns and villages. We must step up medical research. More health care facilities should be set up and the three-tiered health care organization in the urban and rural areas should be improved. We should train more health care personnel, strengthen our work in the prevention and treatment of disease and disseminate essential information on nutrition and health.

62. To meet the changing conditions that come with invigorating the domestic economy and opening to the outside world, we must try to establish new social insurance systems of various types with different services and rates. Various insurance systems should be gradually established for workers and staff in government departments, in state or collectively-owned enterprises, in Chinese-foreign joint ventures and in enterprises run solely with foreign investment, and in particular, for former workers waiting for new jobs. We should step up research into insurance systems for self-employed workers in urban and rural areas, introduce them on a trial basis and then popularize them gradually. This is an important condition for ensuring the smooth progress of the economic restructuring and its success, and it is also of vital importance for maintaining long-term social and political stability.

The establishment or improvement of social security systems should be based on China's specific conditions, and the scope, services and rates of such systems must not exceed the financial capabilities of the state, enterprises or individuals. Social insurance funds should be provided by the state, enterprises and individuals, but mainly by enterprises and establishments with earnings. The old practice of having the state cover all expenses should cease. Different standards of retirement pensions for workers and staff of enterprises and establishments will be determined according to their respective economic forms. While gradually establishing new social insurance systems, we must carry on our fine traditions of mutual help among relatives, friends and neighbours.

63. We must gradually perfect the social welfare system and do an even better job of giving preferential treatment to the families of martyrs and servicemen and of organizing social relief work. Governments at all levels should devise unified plans for all kinds of welfare projects and encourage enterprises and other establishments with earnings to undertake the collective welfare projects their employees need. We must increase the number of free or low-cost social welfare facilities such as children's centres, homes for the aged, health spas and sanatoriums. It is important to ensure the welfare of disabled veterans, provide pensions to the families of martyrs and give preferential treatment to the families of military personnel. Arrangements should be made with the help of all social quarters for the employment, education and welfare of the blind, deaf-mutes and other handicapped persons. Social relief funds must be set up to give financial aid to low-income families in urban and rural areas to meet their basic needs in food and clothing. Relief to the needy should consist not only of supplying their immediate wants but also of helping them to develop production and so better themselves through their own labour. All quarters should be mobilized to help the poor.

64. In social security work, socialized administration must be integrated with work unit administration, with emphasis on the former. Social security institutions should exercise unified control over social insurance, welfare and relief and co-ordinate them under an overall plan.

Establishing a social security system is very complicated and must be coordinated with the restructuring of our economic system. Therefore, during the period of the Seventh Five-Year Plan, the social security system can only emerge in embryonic form. However, as the economy grows, it can be developed.

Unite and Work for the Advance of Socialist Modernization

65. The Central Committee of the Communist Party of China believes that the Seventh Five-year Plan will be a plan for peaceful development that will mobilize the entire nation for the reform of the economic structure and the drive for socialist modernization. Peace and development are the common desires and fundamental objectives of the people of all countries. China has always pursued a foreign policy of independence, opposing hegemonism and promoting world peace. The growth of China's economic strength means the growth of the world's forces for peace. The successful fulfilment of our Seventh Five-Year Plan will enable China to move a step closer to becoming a strong and prosperous nation with a rich and happy people, and at the same time, to make new contributions to the maintenance of world peace and stability. We must rely on our people's wisdom, intelligence and united effort to guarantee the fulfilment of the plan. At the same time, we welcome and earnestly hope for greater co-operation with all peace loving countries and people of the world.

66. The smooth implementation of the Seventh Five-Year Plan and the further development of national economic construction will create more favourable conditions for the peaceful reunification of our motherland. The Central Committee hopes that the people of all our nationalities, including our compatriots in Hong Kong, Macao and Taiwan and Chinese nationals overseas, [The same item, at this point, adds: "...and all descendants of Emperors Huang and Yan who love the motherland, ..."] will make unremitting efforts to achieve China's reunification and rejuvenation.

67. Our goal is to make China a modern socialist country which is highly cultured and highly democratic. To keep to the socialist road, to uphold the people's democratic dictatorship, to maintain the leadership of the Communist Party and to adhere to Marxism-Leninism and Mao Zedong Thought are the cardinal political principles from which there can be no deviation. In order to ensure the smooth progress and sound development of our socialist modernization drive, we must accomplish the following tasks, while always upholding the four cardinal principles: 1) Constantly invigorate the domestic economy, open further to the outside world and bring every positive factor into play to develop the productive forces. 2) Resolutely crack down on perpetrators of serious economic crimes and other criminals, ban all practices that corrupt social morals, oppose all actions that violate professional ethics and harm public interests and, by the co-ordinated efforts of all social quarters, ensure better public order and security and provide the proper social environment for the current reforms and construction. 3) Strengthen political and ideological work; educate the people thoroughly in patriotism, collectivism, socialism and communism; encourage them to cherish lofty ideals and moral integrity, to become better educated and to observe discipline; oppose bourgeois liberalism; resist the corruption by capitalist, feudal and other decadent ideologies; and foster the spirit of dedication to the four modernizations to make the country prosperous and strong. This educational preparation of the masses is the most important ideological condition for the success of our cause. At the same time we should further develop socialist democracy, perfect the socialist legal system and educate the public regarding the law to ensure the building of a socialist society advanced culturally and ideologically as well as materially.

68. To ensure the fulfillment of the Seventh Five-Year Plan, it is important for us to better consolidate the party, strengthen party building, move faster to make the ranks of cadres more revolutionary, younger, better educated and more competent professionally, and improve the cadres' style of thinking and of work. Through effective consolidation of the party's ideology, organization and work style, we should strengthen the party spirit of all party members, particularly of leading cadres, enhance party discipline, strengthen party life, overcome bureaucratism and firmly check unhealthy practices so as to bring about a basic improvement in party conduct and then in general standards of social conduct. We should further emancipate our minds and not hesitate to promote to leading posts at various levels those fine, talented people who are in the prime of life and have distinguished themselves by their performance. Cadres at all levels, leading cadres in particular, should become men and women of action who have the general interest at heart and are promising and diligent in their work. They should seek truth from facts, integrate theory with practice and keep in close touch with the masses. They should renounce empty talk in favour of practical work, neither seeking undeserved reputation nor working for appearance's sake. They should immerse themselves in realities, identify themselves with the masses, make more investigations and studies, tackle practical problems and promptly expose and overcome any shortcomings and mistakes in the work. In particular, they should devote themselves wholeheartedly to the public interest, serve as good examples to the masses and lead them in carrying forward the drive for socialist modernization.

69. The Chinese People's Liberation Army, with its glorious traditions, should streamline and reorganize its structure and undertake other reforms in order to transform itself into a regular and modern revolutionary armed force. The Army should strengthen our national defence, participate actively in the building of socialist civilization materially as well as culturally and ethically, and make fresh contributions to the fulfillment of the Seventh Five-Year Plan. The party committees and governments at all levels must concern themselves about the building of the Army, make proper arrangements for demobilized and retired cadres, give preferential treatment to families of servicemen and martyrs and further strengthen the ties between the Army and the government and between soldiers and civilians.

70. The Central Committee of the Communist Party of China calls on all members of the party and the Youth League, on people of all China's nationalities -- workers, peasants, intellectuals, cadres, Army officers and men -- on all democratic parties, mass organizations and people who love our socialist motherland to unite as one, carry forward the spirit of thrift and hard work, heighten the sense of organization and of discipline, work diligently, be modest and strive to make a success of this important Seventh Five-Year Plan and to build socialism with Chinese characteristics.

ZHAO ZIYANG EXPLAINS 7TH 5-YEAR PLAN PROPOSAL

OW250236 Beijing XINHUA in English 0202 GMT 25 Sep 85

[Text] Beijing, September 25 (XINHUA) -- Following is the full text of the explanation of the proposal for the Seventh Five-Year Plan (1986-90) made by Zhao Ziyang at the National Party Conference on September 18:

Explanation of the Proposal for the Seventh Five-Year Plan

-- Made at the National Conference of the
Communist Party of China

September 18, 1985

Zhao Ziyang

Comrades, I fully agree with the opening speech delivered by Comrade Yaobang. On behalf of the Central Committee of the party I will now explain a few points regarding the draft proposal of the Central Committee of the Communist Party of China for the Seventh Five-Year Plan for national economic and social development.

1. Nature and characteristics of the document. This document was drawn up after a year of deliberation under the direction of the Secretariat of the Central Committee and the State Council. It is not the Seventh Five-Year Plan itself but a set of proposals for the plan. The main contents of the document are as follows. First, the guiding ideology for our economic programme during the period of the Seventh Five-Year Plan and its objectives. Second, the basic strategy and major policy measures for economic and social development. And third, suggestions for economic structural reform and steps for its implementation. The guiding ideology, the development strategy, the principles and policies and the suggestions for reform are based on conditions in China and an analysis of the international situation. They represent the culmination of our experience in socialist construction, especially since the third plenary session of the Eleventh Central Committee, and embody the decision on reform of the economic structure made by the third plenary session of the Twelfth Central Committee. The drafting was done by seeking truth from facts and taking into account the requirements for building socialism with Chinese characteristics. Instead of listing a whole series of quotas, the proposal deals with only a few major ones that have immediate bearing on the overall situation and the orientation of economic and social development. One of the document's distinct features is its emphasis on development strategy and on principles and policies, which represents an important new approach to planning. It allows us to concentrate our attention on essential contradictions in economic work and on key problems in economic development. We should take a similar approach to working out the Seventh Five-Year Plan and other medium- and long-term plans. Once the proposal is adopted by the conference, the State Council will use it as the basis for drafting the Seventh Five-Year Plan, which will be submitted to the Fourth Session of the Sixth National People's Congress next spring for deliberation and approval. The plan will then go into effect.

2. Current economic situation. A correct assessment of the current economic situation provides the basis for formulating plans for economic and social development. It is not good either to overestimate our achievements or to underestimate them. The general principle should be to seek truth from facts and make accurate assessments. While fully affirming the achievements, the proposal also points out the major economic problems.

The proposal states that the task of bringing about a fundamental improvement in the country's financial and economic situation has largely been accomplished. This conclusion is based on the fact that our national economy has begun to develop in a steady, stable and balanced way. The balance of agriculture, light industry and heavy industry and the ratio of accumulation to consumption have improved after several years' efforts. Agricultural production has picked up speed and is forging ahead; light industrial production, which used to be far from meeting the people's needs, is expanding day by day and the output of energy, formerly at a standstill, has entered a period of steady growth. Fresh progress has been made in all fields of endeavour and the living standards of both urban and rural residents have markedly improved. The principal basis for our favourable assessment of the economic situation is the steady, stable and balanced development of the major economic sectors and the appropriate rate of growth. In the past few years, the general situation has been steadily improving. We expect that the annual growth rate of the gross value of industrial and agricultural production will average 10 per cent throughout the period of the Sixth Five-Year Plan.

In the process of preparing for the Seventh Five-Year Plan, we examined the economic growth rate from various aspects, and calculated it from different points of view, and we believe that this vigorous growth will continue. The gross value of industrial and agricultural production is expected to increase at an average annual rate of 7 per cent and that of the gross national product at an even higher annual rate. A sustained 7 or 8 or even 10 per cent growth rate over such a long time is rare in the economic development of any country. A similar situation has occurred only in a few countries and regions during the "economic take-off" stage. This demonstrates the increasing vitality of our economy. Things have changed dramatically since the end of 1980, when we set about further readjusting the economy and rectifying the serious disproportions in the development of the various economic sectors. Our economic work in the past was primarily geared to meeting the people's needs for food and clothing, whereas now the consumption pattern and the production set-up have changed markedly. This is an important stage in China's economic development. From here on, the economy will gradually shift from meeting people's basic needs to enhancing the quality of their lives, so that by the end of this century the Chinese people will achieve a relatively comfortable standard of living. Although this is a gradual process, it is increasingly apparent and we should be fully aware of it.

With the growth of the economy, the steady decrease in state revenues, which produced huge deficits in 1979 and 1980, has been reversed. Both state revenues and expenditures have increased by a wide margin in recent years while remaining basically in balance. Although there were deficits in the last two years, they were small and are likely to be eliminated this year. Ours is a developing country undergoing large-scale construction. A small deficit does not matter much and should not be taken as the primary indicator of how the country is faring financially and economically. State revenues this year are expected to reach 170 billion yuan, and if extra-budgetary funds collected by local authorities, departments and enterprises are included, they will total more than 300 billion yuan, or almost double the amount in 1980. This shows that China's economy is definitely stronger.

To say we have generally brought about a fundamental improvement in the country's financial and economic situation does not mean that there are no more problems. In the fourth quarter of last year, a number of problems arose, such as an excessive rate of growth of industrial production, excessive investment in fixed assets, overexpansion of credit and consumption funds, sharp increases in some commodity prices and a drop in state foreign currency reserves. Thanks to the measures that have been taken and are being taken by the Central Committee and the State Council, these problems are gradually being solved. We should be sober-minded and realistic in our work and conscientious about accomplishing new tasks and tackling new problems, and consolidate and develop both the current favourable economic situation and the political situation of stability and unity.

3. Tasks in the period of the Seventh Five-Year Plan. There are three main tasks in the period of the Seventh Five-Year Plan. First, to create a sound economic and social environment for the smooth progress of the structural reform, thereby laying the groundwork for a new economic structure. Second, to speed up the construction of key projects, the technological transformation and intellectual development, in order to provide the material and technological conditions necessary for continued economic and social development in the 1990s. And third, to continue to improve the people's living standards. The first task is the most important. The significance of reform is not confined to immediate interests. What is more important is to lay a solid foundation for sustained and stable economic development in the next decade and the first half of the next century.

Without reform no such development will be possible. In essence, reform serves economic construction. For now and for some time to come, construction should be designed to advance reform. The pursuit of excessively high growth rates will strain all economic sectors and impede the progress of reform. To create a favourable economic environment for reform, we must refrain from pursuing excessively high growth rates and from expanding the scale of construction in disregard of the country's strength. Nevertheless, we must maintain an appropriate rate of development by undertaking key projects and stepping up the construction of industrial and agricultural infrastructure, so as to provide the basis for further development and, as production increases, to keep raising people's real incomes.

The period of the Seventh Five-Year Plan can be divided into two stages. In the first two years, the emphasis will be on controlling social demand in general to solve the problems of overly rapid growth rates, excessive investment in fixed assets and sharp increases in consumption funds. We will make minor changes, while maintaining the same general scale of investment in fixed assets as in 1985, to improve investment patterns and step up the construction of key projects. A gradual solution of existing problems over two years or so will produce better results than concentrating our efforts in the second half of this year. This would help to avoid the dislocations that might result from slamming on the brakes too suddenly. However, the drawback is that people may not pay much attention to this effort and these problems may even run out of control. Leading comrades at various levels must pay special attention to this possibility. In the last three years of the Seventh Five-Year Plan period, investment in construction will be increased according to the circumstances prevailing then. But the general scale of construction still needs to be kept under control. This is an important lesson we have learned over the years. Reform will, by and large, be conducted in these two stages, which is a sounder and more positive approach.

4. General reform of the economic structure. The period of the Seventh Five-Year Plan is a crucial one for general reform of the country's economic structure. We must give the reform top priority if we want to lay the foundation, over the next five years and beyond, for a vigorous socialist economic structure with Chinese characteristics.

The restructuring of the national economy with focus on the cities is a tremendous, complicated task of social systems engineering. A new economic structure should serve to develop a planned commodity economy based on public ownership. To this end, we must do the following three things. First, further invigorate enterprises, especially state-owned large and medium-sized ones, and make them socialist commodity manufacturers and dealers that are relatively independent in management and responsible for their own profit and loss. Second, further expand the planned socialist commodity market and gradually improve the marketing system. And third, gradually relax the state's direct control over the economic operation of enterprises in favour of indirect controls, in the form of economic, legal and, if necessary, administrative means. All three things must be well co-ordinated.

The restructuring of the economy must be undertaken resolutely and systematically. In the past few years much has been done to relax controls. Hence, the task confronting us now is, while improving micro-economic operations and mechanisms, to exercise more effective indirect control over macro-economic operations. Or, in other words, to give a greater regulating role to economic levers and to improve economic legislation and supervision. We should be aware that more effective indirect macro-economic control constitutes an important aspect of reform. Compared with flexible micro-economic control constitutes an important aspect of reform. Compared with flexible micro-economic control, or with direct micro-economic control, it is much more complicated and difficult, and we are not very experienced at it.

Only when we make a success of indirect macro-economic control can we co-ordinate it with the reforms that are under way and only then can the conditions be created for greater flexibility with regard to enterprises, making them more responsive to the market. In the first two years of the Seventh Five-Year Plan period, reform should focus on strengthening and improving indirect macro-economic control, while stabilizing the economy. In addition to taking measures necessary for price reform, we should make greater use of interest rates, tax rates, exchange rates and other economic levers. We should lose no time in formulating economic laws and regulations, establishing and consolidating economic supervision and improving economic information. We must also strengthen banking, taxation, auditing, statistical work, quality testing, industrial and commercial administration, notarization and other functions.

At the same time, we should continue to implement and improve the regulations of the State Council on expanding the decision-making authority of enterprises, and we should do all we can to revitalize large and medium-sized enterprises that are important to the national economy. On the one hand, we should encourage enterprises to make the most of their existing potential, continue to implement the system of economic responsibility and stimulate the initiative of dealers and manufacturers. On the other hand, we should try to reduce regulating taxes on enterprises by varying degrees, cut back on intermediate management in companies at the bureau level and below, and forbid the indiscriminate imposition of quotas on them and collection of revenue from them. We must lighten the burden of large and medium-sized state-owned enterprises in order to increase their ability to develop on their own. We must prevent a situation from developing in which the more work these key enterprises do the more difficult things become for them. Instead, they should be increasingly invigorated. Herein lies our hope for future economic development. While expanding the socialist commodity market in the last three years of the Seventh Five-Year Plan period, we should continue exercising more effective indirect control, complete the reform of the pricing system and the system of price controls for means of production, improve the tax system and reform the system of banking, so as to create a favourable environment for enterprises. Our reforms will be constantly improved in the process. It is essential to encourage experimentation and innovation within the guidelines set for reform. Here it must be pointed out that the extent to which we relax direct micro-economic controls and the measures we take for that purpose must be suited to the state's ability to exercise more effective indirect control and co-ordinated with such control.

5. Two keys to the problems in production and construction during the period of the Seventh Five-Year Plan. During this period, a host of problems will arise in the process of creating a favourable environment for reforms, preparing for sustained future development and raising people's living standards. There are two keys to solving these problems, namely, to enhance the economic efficiency of enterprises and to increase their ability to earn more foreign exchange through exports.

Poor product quality and high consumption of raw materials are the fatal weaknesses of our economy, but for that very reason we have enormous potential for future development. We must tap that potential to expand the country's financial resources, increase the ability of enterprises to develop on their own, and improve the living standards of workers and other employees. We must spare no efforts to improve product quality and reduce the consumption of raw materials, so as to upgrade enterprises' operations. Our enterprises are backward in technology and even more so in management. Therefore, technological transformation should be conducted during the period of the Seventh Five-Year Plan. However, it is even more urgent and of more practical significance to raise operational and management skills.

During this period, we must try, through reform, to tighten overall quality control and labour discipline, train workers and staff members so as to increase their professional competence and upgrade the operations of enterprises in every respect. All this must be done if we are to shift the focus of work of enterprises to the improvement of economic efficiency. We should impress on all workers and cadres that improving product quality and reducing the consumption of raw materials are the most practical ways to fulfill the Seventh Five-Year Plan.

We will further open to the outside world during the period of the plan. As a developing country, China will suffer shortages of foreign exchange for a long time. Our ties with the world market depend on our ability to earn foreign exchange. Opening to the outside world should not be confined to import, there must be export, too. The volume of imports is determined by that of exports. More exports make more imports possible. This is where the second key to the fulfillment of the Seventh Five-Year Plan comes in: To earn more foreign exchange in order to strike a balance of payments. We must work out a development strategy and systematic policies and measures for foreign trade and exports. We should establish a production network for exports, make full use of the special economic zones, open cities and regions along the coast so that they will lead the interior in turning out major export commodities, and we should increase our appeal to the world market by broadening the variety of export products. While increasing the volume of exports, we should also try to earn more foreign exchange by other means, through tourism and export of labour. As our ability to meet international payments grows, we should use more foreign investment, including loans on preferential terms and commercial loans, to make up for the shortage of domestic funds for investment. We should learn both how to earn foreign exchange and how to use it effectively, so that our limited amount of it will be put to best use and yield satisfactory economic returns. This is a new subject for us to study.

Raising economic efficiency and increasing foreign exchange earnings are related. Therefore, the enterprises should begin by improving their performance, so that they can keep upgrading and updating their products and speed up development through domestic and international competition, and so that their products will stand the test of the domestic and international marketplaces. This is the only way we can find a firm footing.

6. The need to build the "two civilizations" simultaneously. The Seventh Five-Year Plan should be a programme for building a socialist material and spiritual civilization simultaneously. To this end, we must do the following: First, steadfastly adhere to the four cardinal principles and oppose corruption by bourgeois liberalism and by capitalist, feudal and other decadent ideologies. Second, continue to improve the socialist legal system, punish according to law offenders who have seriously damaged the socialist economy and public order and jeopardized the people's interests, and prohibit and curb all improper activities that undermine standards of social conduct. And third, step up and improve political and ideological work and unceasingly encourage the people throughout the country to cherish lofty ideals and moral integrity, to become better educated and to observe discipline. In addressing problems in the ideological sphere, we must always rely on persuasion and education and not repeat past "left" mistakes. In the economic sphere, we should promote good professional ethics and urge enterprises to earn people's trust by conducting themselves honourably in commercial transactions and factory management, by serving the people, by observing discipline and obeying the law, by achieving prosperity through industrious work, and by resisting unethical and unsound business practices.

Leading party and government departments as well as leading cadres at all levels must firmly carry out the policy of building the "two civilizations" simultaneously and take care to make a success of socialist spiritual civilization in order to expedite material civilization.

Comrades, the period of the Seventh Five-Year Plan is one of paramount importance. Successfully accomplishing the tasks for these five years is vital to consolidating and developing the excellent situation that has evolved since the third plenary session of the eleventh party Central Committee, to ensuring economic invigoration and prosperity in the 1990s and to achieving our magnificent goal by the end of the century. The Central Committee of the party hopes that all party members and the people of all our nationalities will unite more closely and work hard, with a pioneering spirit of reform and innovation and with full confidence in success, to accelerate China's programme of socialist modernization.

RENMIN RIBAO HAILS 7TH 5-YEAR PLAN PROPOSAL

OW252020 Beijing XINHUA Domestic Service in Chinese 1636 GMT 25 Sep 85

[Text] Beijing, 25 Sep (XINHUA) -- On 26 September RENMIN RIBAO will publish an editorial entitled "Glad To Read the Proposal for the Seventh 5-Year Plan." The full text of the editorial follows:

Full texts of the "Proposal of the Central Committee of the Chinese Communist Party for the Seventh 5-Year Plan for National Economic and Social Development" adopted at the National Conference of Party Delegates of the CPC and the explanation of this proposal made by Comrade Zhao Ziyang were published today. These two documents are of great importance. Based on the guidelines of the 12th CPC National Congress and the principles set forth in the decision of the 3d Plenary Session of the 12th CPC Central Committee on reform of the economic structure, the "proposal" outlines the guiding thought and targets of China's economic work, the strategic principles and main policies and measures for economic and social development, the idea of economic structural reform and the steps to put it into practice during the period of the Seventh 5-Year Plan. The "explanation" gives incisive elaborations on some basic questions of principle that were taken into consideration by the party Central Committee when formulating the proposal for the Seventh 5-Year Plan. Altogether, there are less than 30,000 characters in these two documents, and there are not very many figures. Stated in the documents are the overall guiding thought and questions concerning principles and policies. It takes only 2 or 3 hours to read them, and by doing so, we can acquire a general understanding of China's current economic situation and the trend of its development in the future as well as the party's guiding thought, principles, policies, and measures for economic work. This is of great importance to us in doing our jobs well, especially, of course, to the comrades on the economic front in making a success of their work.

A socialist country is one where the people act as masters. Our economic plans, including the 5-year plans, embody the fundamental interests of the masses, and the efforts of the masses are required to fulfill these plans. It is a very fine tradition of our country to publish the plans, acquire opinions from the masses, and mobilize the masses to implement the plans. The First 5-Year Plan was published openly by the press, and propaganda and educational work related to the plan was carried out on an extensive scale. As a result, the 156 key projects were known to all. Comrade Zhou Enlai's report on the proposal for the Second 5-Year Plan delivered at the Eighth CPC National Congress was also published openly by the press.

Unfortunately, this tradition was later broken under the impact of ceaseless political movements. The plans underwent numerous changes, but the masses had very little knowledge of them. This abnormal state of affairs has been corrected since the 3d Plenary Session of the 12th CPC Central Committee. The full text of the Sixth 5-Year Plan adopted at the Fifth Session of the Fifth NPC was promulgated, and excerpts of the plan were published in newspapers. The proposal now adopted by the National Conference of Party Delegates for the Seventh 5-Year Plan was published in full in newspapers. All of this indicates that our fine tradition has been resumed, and that political and economic activities in our country are being carried out healthily on the path of socialism.

These two documents are very good teaching materials for education in the current situation. How to look at the situation is a very important question. If the situation is bad, we should not let our eyes be veiled by dark clouds and thus lose our bearings. If the situation is obscure, we should not hesitate to act because we are unable to know for sure the development of the situation. Even in excellent circumstances, we should not overlook the difficulties and problems remaining before us just because a scene of vigorous development prevails everywhere. How has our country's economic situation been in the past few years? Following some problems in economic work that occurred last winter and this spring, what is the present situation? With regard to these questions, the two documents have made clear analyses by seeking truth from facts. The comments provided by these two documents prove the absolute correctness of the CPC Central Committee's assertion that "the task of bringing about a fundamental improvement in the country's financial and economic situation has largely been accomplished." In the "explanation" Comrade Zhao Ziyang points out: "The principal basis for our favorable assessment of the economic situation is the steady, stable, and balanced development of the major economic sectors and the appropriate rate of growth." By looking at China's current economic situation from this viewpoint, we can distinguish between what is principal and what is secondary, and we can have a correct assessment of the situation.

The question we face is not merely how to understand the current situation; it is a question that directly concerns the formulation of policy decisions. Comrade Deng Xiaoping and other leading comrades at the central level have stressed on many occasions the necessity to "discuss major issues, understand the overall situation, and take care of one's own area of work." The question now concerns the overall situation. If we cannot analyze conditions strictly according to facts, it will be impossible for us to truly understand the overall situation. In that case, we will be unable to effectively discuss major issues or take care of our own area of work. We should make a serious effort to organize our comrades to study the "proposal" and "explanation" and to educate them on the current situation so that they will be able to understand the overall situation. Only thus can they take good care of their own area of work.

Education on the current situation is also a vital component of education to foster ideals. Fundamentally, education to foster ideals is education in world outlook and life. We must carry forward the spirit of patriotism and resolve to strive hard for China's prosperity. It is our belief that more and more people will establish confidence in communism in the great historical struggle to achieve socialist modernization. A person with ideals is by no means an empty talker, but a practitioner. Great ideals will give off light and heat only when combined with real practice. How to plunge into practice? We should have a thorough understanding of the current situation, the tasks before us, and the principles and policies pursued by our party. The "proposal" and "explanation" are the most authoritative materials that answer this question.

At this time when the "proposal" and "explanation" are published, we offer the above opinion in the hope that our readers will pay attention to studying these two documents and learning from them.

BO YIBO ADDRESSES ADVISORY COMMISSION MEETING

OW260639 Beijing XINHUA Domestic Service in Chinese 0015 GMT 26 Sep 85

[Speech by Bo Yibo, delivered at the Fifth Plenary Session of the CPC Central Advisory Commission on 24 September 1985]

[Text] Beijing, 26 Sep (XINHUA) -- We attended the recent National Conference of Party Delegates and found it to be very well convened, a meeting of unity and success, and of great historic significance. All of us are very happy about the success of the conference. At it, the readjustment of the composition of the three central leading bodies was achieved successfully and, in particular, the Central Committee took a big step in reducing the average age of its members. It seems to me that, using the echelon structure to solve the question of the succession of the old by the new, is an effective method. This method should be continued henceforth.

The two plenary sessions of the Central Advisory Commission are also a success. Veteran comrades, who stepped down from first and second-line posts in the interests of the party and the people have, by their exemplary action, made important contributions to reform of the cadre system and to the success of the National Conference of Party Delegates. All of you listened to Comrade Xiaoping's important speech at the conference. He emphasized: "The succession of old cadres by new has progressed cooperatively and satisfactorily over the past few years," and "a number of veteran cadres have taken the lead in abolishing the system of life tenure in leading posts, furthering reform of the cadre system. This deserves mention in our party's annals." This is great encouragement, given by the Central Committee to all veteran cadres, as well as showing its expectations of them.

This time, 36 veteran comrades have retired from the Central Advisory Commission, and at the same time, 56 veteran comrades have joined the commission. In the next 10 years or so, more veteran comrades will successively leave, or join, the Central Advisory Commission. The succession of old members by new is inevitable in the Central Advisory Commission, a transitional organization, in the course of completing its historic mission. The hearts of us veteran comrades are forever linked with the cause of the party, whether we have retired from the commission, remain in it, or have just joined it. Comrade He Changgong was right when he said, in his letter to the party Central Committee: I have retired from the Advisory Commission, but my aspirations have not, nor has my faith in the party. The great communist ideals are our objective of struggle throughout our lives. In our remaining years, we should do all we can for the great cause of the party. Comrade Changgong's words express the wish of all veteran comrades.

Through readjustment of the composition, some older comrades with high prestige have retired from the Central Advisory Commission, but the addition of relatively younger members in better health ensures that the commission will be able to continue doing a good job. At the last enlarged meeting of the Standing Committee of the Central Advisory Commission, I said: Veteran comrades in the Central Advisory Commission are, after all, advanced in age and should not be asked to do too much. However, we still need to study and restudy. In addition, there is one thing we should, and can, do -- that is, to take advantage of the experience we have gained in more than half our lifetime to actively make suggestions to the Central Committee, for its reference, on the work, or any matters, with which we are familiar.

We did so in the past, and many of our opinions and suggestions were taken seriously. When you attended the recent plenary session of the party Central Committee as observers, and took part in the National Conference of Party Delegates, you also put forward very good ideas on the Seventh 5-Year Plan and on personnel readjustment. From now on, you should continue to play veteran comrade's role to act as good political assistants and consultants to the Central Committee as the party Constitution requires of the Central Advisory Commission.

At the recent National Conference of Party Delegates, all the five comrades of the Standing Committee emphasized in their speeches the need to uphold the four cardinal principles, strengthen ideological and political work, and rectify party style. We should know that we still have a very heavy responsibility to achieve a fundamental turn for the better in party style. Comrade Chen Yun said: "We must on no account dismiss the importance of rectifying party style. First, party organizations at all levels should pay full attention to this. Second, leading comrades at all levels, particularly senior ones, should do so and set good examples. Third, veteran party members and cadres, including those who have resigned from leading posts or have retired altogether, should pay full attention to the task. There is no such thing as retirement when it comes to setting good examples, concerning oneself about party style and discipline, and exercising supervision. Every party member should always stand at the front line as long as he or she is alive." All our veteran comrades should attach great importance to this question.

Here, let me say once more that the Central Committee has all along shown great concern for the older comrades who have retired from first-line or second-line posts, and has repeatedly emphasized the need to take good care of them. All the old comrades who have left or joined the Central Advisory Commission are survivors of the long revolutionary struggles. In their remaining years, they will not expect too much. To take good care of these old comrades, particularly those who have retired from the Central Advisory Commission in accordance with relevant regulations issued by the Central Committee is not just a matter concerning the old comrades alone. We should pay attention to the fact that it is also a matter concerning party style with social and political effects. I think that the units in which the old comrades are holding second-line and third-line posts should and surely will take this matter seriously. The administrative body of the Central Advisory Commission and its staff should and sure will do all they can to handle the matter well.

CHEN YUN SPEECH AT DISCIPLINE COMMISSION MEETING

OW260600 Beijing XINHUA Domestic Service in Chinese 0029 GMT 26 Sep 85

[Speech at the Sixth Plenary Session of the Central Commission for Discipline Inspection by Chen Yun on 24 September 1985 -- capitalized passages published in boldface]

[Text] Beijing, 24 Sep (XINHUA) -- Since the 12th CPC National Congress, the central and local discipline inspection commissions have done voluminous work and played an active role in assisting party committees at various levels to strive for a fundamental turn for the better in party style and to raise party members' political qualities, to rectify unhealthy tendencies, to penalize violators of law and discipline, and to oppose erroneous ideological tendencies of party members.

However, there are still serious problems in party style and the social atmosphere, and heavy tasks lie ahead for realizing a fundamental turn for the better in party style and the social atmosphere.

I would now like to present the following opinions on striving for a fundamental turn for the better in party style:

1. IDEOLOGICALLY, WE MUST RECTIFY THE PHENOMENON OF NEGLECT FOR THE BUILDING OF SPIRITUAL CIVILIZATION.

Socialist construction embraces the building of both material civilization and socialist spiritual civilization, and the two are inseparable. The socialist cause cannot possibly be the building of material civilization alone, nor can it be solely the building of spiritual civilization. The building of material civilization cannot possibly go before the building of spiritual civilization in advancing the socialist cause. We must now work for the building of material civilization. However, we must also realize the current prevalent neglect for the building of spiritual civilization. The capitalist philosophy of "even heaven will curse one who does not seek personal gains" and the servile ideas that take no account of state and individual integrity are factors that will harm the socialist cause.

We cannot possibly have good party style if we neglect the building of spiritual civilization and if we neglect ideological and political work within the party. We cannot possibly have a good social atmosphere if we neglect the building of spiritual civilization and neglect communist ideological education in society. In short, it is possible that our entire cause will deviate from Marxism and the socialist road if we neglect socialist spiritual civilization.

The current prevalence of neglect for the building of spiritual civilization is by no means a small problem, and comrades of the entire party must pay serious attention to it.

2. SERIOUSLY GUARD AGAINST THE INROADS OF DECADENT CAPITALIST IDEOLOGY AND CONDUCT.

It is entirely correct to open China to the rest of the world and introduce advanced technology and management experience from abroad to benefit its socialist construction, and we must adhere to this orientation.

However, at the same time, attention must be paid to the fact that this opening will unavoidably bring corrosive decadent capitalist ideology and conduct. Such corrosion poses direct harm to our socialist cause.

If party committees at all levels and party members, especially veteran cadres, clearly understand this, maintain sharp vigilance, and conduct education with communist ideas as its core in the light of special characteristics, the corrosive influence of capitalist ideology need not be feared. We believe that the truth of Marxism and communism will surely prevail over corrosion by decadent capitalist ideology and conduct.

Of especially grave concern is that at present many party committees and many cadres lack vigilance. For instance, no sooner was the news of opening to the outside world and invigorating the domestic economy out than some party, government, and military departments, party government officials, and some cadres' children swarmed into business ventures and set up companies. Investigation in some 10 provinces and municipalities shows that some 20,000 companies of all sorts have suddenly sprung up since the fourth quarter of last year. Quite a number of these companies worked hand in glove with law breakers and lawless foreign businessmen. They took advantage of the reform and were involved in speculation, profiteering, bribery, smuggling, fraud, extortion, customs evasion, and manufacturing and selling of fake drugs and adulterated wine for profit, while disregarding other people's life.

Even such ugly and evil acts as selling and showing pornographic videotapes and luring women into prostitution have appeared. The bourgeois decadent ideology of "putting money above all else" is seriously corrupting party style and social conduct.

In building socialism, we must resist and eliminate such evil thinking and behavior. We must mobilize and organize the forces of the whole party and society to resolutely fight these phenomena with the determination to thoroughly wipe out these evils. The duty of the central and local commissions for discipline inspection is: Whoever violates party discipline or state law shall be dealt with accordingly, and law breakers shall be dealt with in accordance with the law. The commissions for discipline inspection at all levels must be faithful to this principle. If not, they will be neglecting their duty.

The fundamental change for the better in party style and social conduct will follow only with the strengthening of ideological and political work and the strict enforcement of party discipline and state law.

3. RESPONSIBILITY OF PARTY COMMITTEES AND DISCIPLINE COMMISSIONS AT ALL LEVELS.

If a particular person's mistaken behavior results in violation of party principles and policies and the breaking of the law, then the particular person will be held responsible for his acts. However, if a large amount of evil wind and evil atmosphere dwell in a unit or an area and are not rectified in time, then it is obviously not a case of only a particular person being involved; it concerns the leadership of the party committee in that unit or in that area.

If one is blind and allows the evil wind and evil atmosphere to hurt socialist construction and corrupt party style and social conduct, the law breakers as well as the party committee of the unit or the area, including the local discipline commission, will be held responsible. For example, not only law breakers but also the party committee should be held responsible in the Hainan Island motor vehicle case, which was marked by illegal profiteering of foreign exchange, fraud, and bribery. The party committee of Jinjiang area not only turned a blind eye to but actually protected and shielded the manufacturing and selling of fake drugs in that area. Unless we hold the party committee of that area responsible, the party will lose its position.

Party style will achieve a fundamental change for the better only if we build material civilization along with spiritual civilization and if we do ideological and political work while enforcing party discipline and state law at the same time. The discipline inspection commissions at all levels should, under the unified leadership of the party committee, exert strenuous effort to do a good job in the central task of improving party style.

OVERSEAS CHINESE GROUPS ENDORSE DELEGATES CONFERENCE

HK251017 Beijing ZHONGGUO XINWEN SHE in Chinese 1352 GMT 24 Sep 85

[Text] Beijing, 24 Sep (ZHONGGUO XINWEN SHE) -- Celebrated returned Overseas Chinese in Beijing held a discussion today on how to implement the spirit of the National Conference of Party Delegates in the work of the Federation of Returned Overseas Chinese. They said that the conference is a milestone in CPC history, and has greatly inspired Chinese abroad.

Zhang Guoji, president of the All-China Federation of Returned Overseas Chinese said that Deng Xiaoping and Chen Yun's speeches delivered at the National Conference of Party Delegates have brought home the malpractices of the day, which has demonstrated that leading CPC members have a good understanding of the situation at the lower levels. Zhang pointed out that in recent years, the economy in the hometowns of Overseas Chinese has developed rapidly, and the people's living standards have markedly improved. However, the building of spiritual civilization has been rather weak; as a result, feudal and superstitious activities have gone unchecked, counterfeit goods are being produced, and cases of blackmailing, and extorting money from returned Overseas Chinese have taken place in some localities. The hometowns of Overseas Chinese should strengthen the building of spiritual civilization.

Hong Sisi, vice president of the All-China Federation of Returned Overseas Chinese said that the current National Conference of Party Delegates has made important readjustments of the CPC central leading organs. More than 130 old cadres have voluntarily requested to resign from central leading organs, and a large number of cadres who have both ability and political integrity and are in the prime of life have been selected and promoted to central leading organs, which is a great step in rejuvenating the membership of the party Central Committee. At the same time, some cadres who are of noble character and high prestige remain in leading posts at the central level, which conforms to the interests of the people of the whole nation, and the will of patriotic Overseas Chinese.

According to Hong Sisi, federations of returned Overseas Chinese at all levels should encourage all returned Overseas Chinese and their dependents to have lofty ideals, moral integrity, education and a sense of discipline, and to promote the building of Overseas Chinese hometowns into civilized towns based on the spirit of the National Conference of Party Delegates. Those who work in the Federation of Returned Overseas Chinese should pay less lip service but attach attention to practical effect, and render service to Overseas Chinese, returned Overseas Chinese, and dependents of Overseas Chinese in a down-to-earth manner. The Federation of Returned Overseas Chinese should continue to do a good job in acting as a go-between in helping Overseas Chinese invest in the motherland and in importing technological equipment. It should contribute to help Overseas Chinese build cultural and educational undertakings in their hometowns and to promoting the exchanges in science and technology between China and foreign countries.

GUANGMING RIBAO ON PLANNED COMMODITY ECONOMY

HK190835 Beijing GUANGMING RIBAO in Chinese 7 Sep 85 p 3

[Article by Wei Xianming: "The Two Characteristics of the Planned Commodity Economy"]

[Text] Can the socialist economy that is regarded as an integrated planned commodity economy founded on public ownership be analyzed? Is it necessary to make this analysis? One opinion holds that in the past we regarded the socialist economy as a planned economy but failed to regard it as a commodity economy. Now that we have overcome many difficulties to unify the two, we should not divide it up into commodity economy and planned economy. Otherwise, we will pit one against the other. We can understand the intention of that opinion, but I think that it is not a scientific view. We should faithfully regard our socialist economy as an economy that is a commodity economy as well as a planned economy, or as an organic unity of commodity and planned economy. This is an essential characteristic of our socialist economy.

The relationship between commodity economy and planned economy as two aspects and two attributes of the planned commodity economy founded on public ownership is a relationship of a unity of contradiction. We say that there is a unity between the two because: 1) Each of them constitutes a precondition for the other and they thus become interdependent. Neither can exist without the other. A commodity economy is not a socialist economy; nor is a planned economy that does not have the basic characteristics of a commodity economy a socialist economy. Under a socialist system, neglecting the development of commodity economy in practicing planned economy will cause the socialist economy to lose its vitality and vigor. On the other hand, neglecting the objective demands of the planned economy in developing commodity economy will inevitably give rise to blindness and cause confusion in our social economy. 2) Each of them permeates the other and merges with the other and thus each of them exists within the other. The socialist planned economy is founded on the basis of commodity economy. In formulating national economic plans, the socialist state should take into consideration not only the proportional relations between actual things, but also the proportion relations between values and should not only strike a balance of actual things, but also a balance of values. It is meaningless talk about the socialist planned economy in the absence of the commodity economy.

However, the guidance of state plans is indispensable for the development of the socialist commodity economy and planning is an objective demand of the socialist commodity economy. Under socialist conditions, the unity between commodity economy and planned economy originates from the public ownership of the means of the production. At the same time, planned economy, commodity economy, and the role of their objective inherent laws, the law of planned and proportionate development and the law of value, are all restricted by the basic economic law of socialism, and all must be subordinate to and serve the aim of socialist production. The major manifestations of their contradictions are: 1) The contradiction between planning and blindness. In order to practice a planned economy, we should make the entire national economy develop in a planned and proportionate manner, but the development of a commodity economy, even a socialist one, will give rise to some blindness. In real life, the blindness caused by the practice of a certain area, department, or enterprise proceeding from their own interests is a common occurrence. To counter the blindness caused by the development of the socialist commodity economy, the state must strengthen its management through administrative and economic means in order to ensure the harmonious development of the socialist economy. 2) The contradiction between identity and difference. The planned economy mainly starts from the overall long-term interests of the state, and in the future we should stress medium-term and long-term plans in the planning of our state. However, the precondition for our commodity economy is to admit the difference of material interests between various enterprises. Under the influence of the law of value, when an enterprise arranges its production activities, it is apt to be affected by the situation of supply and demand in the market, and it often pays one-sided attention to its immediate and partial interests and thus cause these interests to be in conflict with its long-term and overall interests. Only when we properly handle this contradiction and take into consideration the interests of all can we smoothly develop our socialist economy. 3) The contradiction between unity and flexibility. In conducting a planned economy, what we stress is the macroeconomic results of economic development, and we require all areas, departments, and enterprises to obey the unified planning of the state and to arrange their production and circulation according to the general goal of the development of the entire national economy. However, in developing a commodity economy, all the enterprises must make ends meet and earn profits. Therefore, they will flexibly arrange their own production in light of their own conditions and market situation. In our economic life, this contradiction between unity and flexibility may emerge at any time. If we fail to handle it properly, it will also hinder the development of our socialist economy.

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CHINA
PRC NATIONAL AFFAIRS

RAPID DEVELOPMENT OF INSURANCE BUSINESS REPORTED

OW242210 Beijing XINHUA Domestic Service in Chinese 0009 GMT 23 Sep 85

[By reporter Tian Chuan]

[Text] Beijing, 23 Sep (XINHUA) -- China's insurance business has developed rapidly during the "Sixth 5-Year Plan" period. The amount of indemnity paid by insurance companies to various units and individuals has totaled some 2 billion yuan. This has provided a guarantee for the development of the national economy and for the security of the people's daily lives.

With the development of the economy and the improvement of the people's living standards, there is an ever-increasing need for insurance. At the end of 1979 the State Council adopted a decision to restore the domestic insurance business, which had been suspended during the decade of turmoil. Through several years of development, a great variety of insurance businesses have been established. There are now more than 120 different kinds of domestic insurance, including enterprise property insurance, family property insurance, automobile and third-party liability insurance, old-age pension insurance and medical insurance for staff and workers of enterprises, and a variety of insurance on animal-breeding and crop-growing projects in rural areas.

In addition, there are some 40 kinds of international insurance, such as ocean marine cargo insurance, aircraft insurance, offshore oil prospecting and exploitation insurance, nuclear power plant insurance, and international reinsurance, to name a few. Now the People's Insurance Company of China has established some 2,100 branches in various parts of the country. The amount of insurance is becoming larger and larger, and its coverage is also expanding. In the first half of this year alone, the amount of insurance taken out on various kinds of property and liabilities amounted to as much as 411.5 billion yuan, and the premiums received totaled more than 600 million yuan.

Over the past 5 years, the People's Insurance Company of China has paid some 75 million yuan in antidisaster fees to its customers, including both units and individuals, in addition to the large sums of indemnity it has given them. This has had a significant effect on ensuring the prompt resumption of production in the disaster-afflicted units and the security of the daily life of the individuals who suffered the disaster.

Meanwhile, this company has turned over some of its profits and paid tax to the state, totaling 1.1 billion yuan, and has established quite a large insurance fund. This year the company's branches in various localities will disburse large sums in economic compensation to various units and individuals in coastal areas and northeastern China for the damage they suffered from typhoons and floods. Meanwhile, the company's head office has made full financial preparations and is ready to give support to the disaster areas at any time.

OFFICIAL PRAISES REAGAN'S NEW TRADE PACKAGE

OW251443 Taipei CNA in English 1357 GMT 25 Sep 85

[Text] Taipei, Sept. 25 (CNA) -- A ranking ROC official Wednesday lauded President Ronald Reagan for his determination to uphold a free and fair trade policy. Reagan announced a new package to maintain free and fair trade practices Tuesday. Vincent Siew, director of the Board of Foreign Trade, said that free trade is also an established policy of the Republic of China.

Siew said that the Republic of China and the United States have held three rounds of trade talks since 1979. The talks have been based on the spirit of the General Agreement on Tariffs and Trade. He added that the ROC Government has reduced tariff rates for 483 categories of American goods in the past six years. Besides, all surcharges on import tariffs will be phased out as of the end of this year.

Of more than 26,000 kinds of imported goods, Siew said, 97.5 percent can now be imported with no special permission needed and import permits for most of them can be obtained from local banks.

Siew also said that the country will continue opening its service industries for foreign investment. Currently, 17 American banks and three insurance companies are operating branches or liaison offices in Taiwan. Three U.S. shipping and two airline companies are also doing business here. Such well-known U.S. fast food chains as McDonald's, Kentucky Fried Chicken, Baskin-Robbins and Dryer's ice cream are also doing thriving business in Taiwan.

In an effort to narrow the trade gap, Siew said, the country has already sent 10 purchasing missions to the United States in the past few years to buy U.S. dollars 7.5 billion worth of U.S. goods. The 11th mission is now visiting America. It is expected to buy U.S. dollars 430 million worth of U.S. goods.

SUSPECT IN HENRY LIU MURDER ARRESTED IN BRAZIL

HK250523 Hong Kong AFP in English 0415 GMT 25 Sep 85

[Text] Taipei, Sept 25 (AFP) -- Tung Kuei-sen, the third suspect wanted by Taiwan and U.S. police for his alleged involvement in the murder of Chinese-American writer Henry Liu, has been arrested in Brazil, a local newspaper reported today. The mass-circulation UNITED DAILY NEWS, in a dispatch from Washington, said the 33-year-old alleged member of the Bamboo Union Gang, Taiwan's largest underground syndicate, has been held by Brazilian police for some time. It did not say when Mr. Tung was arrested. Police authorities here were not immediately available for comment.

The reputed leader of the Bamboo Union Gang, Chen Chi-li, and his lieutenant Wu Tun this month started serving life sentences for plotting the murder and killing the 52-year-old writer at his Daly City, California, home last October 15.

The writer, who had been critical of the Taipei Government but had worked as an informant for its intelligence authorities, died of three gunshot wounds, autopsy reports have said.

Mr Wu said in the trial that he fired only one shot at the writer's abdomen and that Mr Tung allegedly fired another two shots which killed him.

Mr Tung returned to Taiwan following the murder but fled the country in November after authorities launched a nation-wide sweep against organized crime on November 12.

The paper said he had stayed in the Philippines, Japan and Hong Kong before entering Brazil. It also said that since Daly City police authorities have issued an arrest warrant on Mr. Tung, the United States might try to extradite him for trial on U.S. soil. There is no extradition treaty between Taiwan and Brazil, which do not have diplomatic relations. Vice Admiral Wong Hsi-Ling, former director of Taiwan's Intelligence Bureau, was jailed for life in June for instructing Mr. Chen, whom he had recruited as an informat, to plot the murder. His two subordinates in June each started serving jail terms of two-and-a-half years for assisting him in the crime.

YU KUO-HWA VIEWS CURRENT SOCIAL PROBLEMS

OW241505 Taipei CNA in English 1445 GMT 24 Sep 85

[Text] Taipei, Sept. 24 (CNA) -- Premier Yu Kuo-hwa said Tuesday that occurrence of social problems during this period of transition in the nation's development will not hurt the national foundation. He said both the government and the people should have deep confidence in the future of the nation and continue to work hard, regardless of temporary social disorder which might damage the image of society here.

Yu said, answering an interpellation from Legislator C.W. Huang, that he could not agree with Huang's term "crisis of confidence" as marked by coal mines accidents, the Henry Liu murder, the 10th Taipei Credit Cooperative scandal, economic stagnancy and Chinese Communist ploys,

"We cannot take one single example to interpret the whole situation," he stressed. Every nation unavoidably has some problems while moving toward modernization, he said.

Over the past decades, Yu said, the ROC Government and people have overcome many difficulties in building this national bastion. "We should still have confidence during this transitional period in national development," he urged.

He called on the people neither to neglect the contribution by most government employees just because of the faults of a minority, nor to allow their faith to be shaken due to the current economic recession.

The government has been working on long-term plans to deal with various possible problems in the future, the premier said. Several polls have also shown that the public has confidence in the government's policies in resolving difficulties. They say they are optimistic about the nation's future, Yu said.

The government, he said, will continue to take full charge and be realistic in settling problems existing here. The government will also further review the administrative operations at all levels to raise efficiency. Moreover, he said: "We will not forgive law violators for the national interest."

Yu called for the people to support the government's efforts in a joint struggle for a bright tomorrow in the Republic of China.

HU YAOBANG'S POLITICAL WORK IN 18TH ARMY CORP

HK260743 Hong Kong WEN WEI PO in Chinese 24 Sep 85 p 2

[Article by Han Tiemin: "Hu Yaobang and the Political Work of the 18th Corps, Part I"]

[Text] JIEFANGJUN BAO editor's note: "Hu Yaobang's Vigorous Political Work" is a chapter in a book entitled "March Toward the Northwest and Southwest" which will soon be published by the Sichuan People's Publishing House. This newspaper is carrying a summary of this chapter. This chapter reflected in fairly great detail Comrade Hu Yaobang's contribution to and pithy ideas on the ideological and political work among our troops. The chapter describes what was happening during the liberation war, but the principles and methods that it expounds on are still of great guiding significance for the construction of our troops in the new period.

The book "March Toward the Northwest and Southwest" is closely related to the book "Under the Command of Marshal Xu." It describes the historical scene wherein, after the fulfillment of the task of liberating Shanxi along with fraternal troops, the 18th Corps marched toward the northwest and southwest under the leadership of Comrades Liu Bochong, Den Xiaoping, Peng Dehuan, and He Long. It is a lively reference book for our military history.[end editorial note]

For the PLA 18th Corps, 1949 was a year when it commanded the wind and clouds and scored brilliant achievements in the war. The Corps spent 9 months victoriously fulfilling the historic task of a long march and thus wrote a glorious chapter in its combat history.

In this period, Comrade Hu Yaobang was the director of the Political Department of the Corps. Under the leadership of the CPC Committee of the Corps, the political work during this great march was vigorously done because Comrade Hu Yaobang brilliantly organized and led the work and personally took part in the practice and because all the commanders and fighters, in particular the political work cadres, made conscientious efforts. In that period, I had the honor to work under Comrade Hu Yaobang's leadership, being in charge of editing the newspapers of the Corps Political Department. I personally listened to many of his speeches and instructions, implemented and fulfilled many requirements and tasks that he put forth, and heard about and saw some of the deeds of political work under his leadership during the march. What I am going to describe is some fragments about the political work in the march under Comrade Hu Yaobang's leadership and is mainly about how he used newspapers to carry out his work.

In Order to "Carry the Revolution Through to the End," the Troops Will Persist in Its Advance.

In April 1949, spring arrived all over China. At the Nanjing KMT government rejected the peace agreement, Chairman Mao and Commander in Chief Zhu issued an order to the PLA on 21 April: Advance bravely and annihilate resolutely, thoroughly, wholly, and completely within China's borders all the KMT reactionaries who dare to resist. Liberate the people of the whole country. On the day after Nanjing was liberated, we, the 18th Corps, and other fraternal troops jointly, quickly, and thoroughly wiped out the KMT garrison in Taiyuan. On 1 May, the CPC Central Committee sent a warm telegram of congratulations on Taiyuan's liberation to Comrades Xu Xiangqian, Zhou Shidi, and Luo Ruiqing, saying that "As of now, all the enemy has been wiped out in Shanxi and north China has been consolidated." At the same time, Comrade Hu Yaobang called the troops to "quickly do a good job of dealing with the aftermath of the battle in order to meet the new glorious tasks that will soon be assigned from above." He pointed out:

"We should sort out and solve all the problems that should be sorted out and solved. We must strive to finish in this period of time all the work, no matter whether it is the work of sorting out and delivering materials and goods to the public or that of handling and solving the problems related to the family members of our troops. By so doing, our troops will be freed from these burdens in carrying out their advance. We must turn our corps into one of great mobility."

Soon, the corps relayed to all its commanders and fighters the CPC Central Military Commission's order that after a short period of rest and reorganization, the corps would set out to liberate Xian and the vast area of the northwest. In light of the situation among the troops then, Comrade Hu Yaobang clearly pointed out: "There are in the main two aspects of the preparatory work: one is ideological preparations and the other is organizational preparations." "The key to our work is to heighten the class awareness of our troops in order to enable every one of our troops to clearly know his class stand and the goal of revolution."

One of the prominent characteristics of Comrade Hu Yaobang's organization and leadership over ideological and political work is that he quickly and correctly understood the ideological intention of the CPC Central Committee, quickly and vigorously organized the implementation of this intention, and thus united the thoughts and acts of the troops with the general line and task of the party. On the eve of New Year's Day of 1949, I went to ask Comrade Hu Yaobang's advice concerning the editorial of the newspaper RENMIN ZIDIBING [PEOPLE'S OWN ARMY]. He told me that on the New Year's Day of 1949, the CPC Central Committee would publish through XINHUA NEWS AGENCY an important editorial entitled "Carry the Revolution Through to the End." It would provide guidelines for the conduct of the whole party, the whole Army, and the people throughout our country. We had to thoroughly understand that editorial and ensure that all our troops correctly and victoriously acted in unity later. We had to satisfactorily record the New Year message of XINHUA NEWS AGENCY and publish it in our newspaper as soon as possible. In 1949, we must "exert ourselves together with one heart and one mind, make our field corps more powerful, and fight for a thorough annihilation of Nian Xishan's troops and make preparations for making further brave advances and fighting shoulder to shoulder with other troops in order to achieve our final victory." I published his words in big characters on the 1949 New Year issue of RENMIN ZIDIBING in order to inspire, educate, and encourage all the commanders and fighters of the Corps.

On 5 January 1949, RENMIN ZIDIBING reprinted the New Year message that Comrade Mao Zedong wrote for XINHUA NEWS AGENCY. Comrade Hu Yaobang immediately organized the cadres of the Corps Political Department to study the message. He said that we had first to clearly understand that our purpose in studying this editorial was to implement the idea of "carrying the revolution through to the end." For our troops, this meant that we should implement the idea of "pushing our troops forward." We must heighten the revolutionary awareness of all of us, foster a firm revolutionary outlook of life, and radically solve the ideological problems for everyone in order to carry through the revolution to the end. Our responsible comrades and leading organs at all levels had to deeply realize that this study was an extremely important task in the ideological construction of the whole Corps and was a basic, important step for us in making ideological preparations for our further advance. As long as we did this work satisfactorily, we would be able to lead our troops to make a smooth advance in the future. We immediately wrote his profound expositions and clear requirements into an article and published it on our Corps newspaper in order to quickly and widely relay his expositions and requirements to all the commanders and fighters.

On 14 January, 1949, Chairman Mao published his "Statement on the Present Situation by Mao Zedong, Chairman of the CPC Central Committee."

When RENMIN ZIDIBING reprinted this statement, Comrade Hu Yaobang instructed that a circular had to be issued in the name of the Corps Political Department saying, "all the units must combine their study of the statement with that of the editorial 'Carry the Revolution Through to the End.'" On 1 March, the troops directly under the Corps held a naming ceremony for accepting their new designations. (footnote) (the 1st Corps of the North China Field Army was changed to the 18th Corps of the Chinese People's Liberation Army.) Comrade Hu Yaobang spoke at the ceremony, analyzed the causes for the rapid development and growth of the troops, and finally stressed, "we have become troops of the nationwide People's Liberation Army. Commander in Chief Xu has called on us to fight battles wherever the enemy is."

WEN WEI PO ON PRC PLANS TO TEST CRUISE MISSILE

HK260737 Hong Kong WEN WEI PO in Chinese 26 Sep 85 p 2

[Report by reporter Cheng Hsiang: "China Possesses Nuclear Submarines and Will Soon Test Launch a Cruise Missile"]

[Text] Beijing, 25 Sep — According to informed sources here, the trial rocket launch that the Chinese Government has announced will be carried out in late September to mid-October is very likely a test of something similar to a cruise missile launched from a nuclear submarine. This kind of missile can carry a number of warheads.

The place for the coming rocket launching test is very likely to be at sea near Lushun port. The Beihai Fleet of the PLA Navy will carry out this task.

According to the sources, if this test succeeds, it will signal that China's missile technology has made substantial progress, because it will have been the first time China has launched an intermediate range missile from a nuclear submarine. It will also show that China possesses a new generation of nuclear submarines.

As the sources pointed out, the coming test will be the third in a series of similar tests conducted by China. The first test missile of this kind was launched in the hinterland area of northwest China. The second test was conducted on a land base in Zhoushan Archipelago, and this will be the first time a similar missile is launched from a nuclear submarine [sentence as published].

WEN WEI PO VIEWS CPC PERSONNEL CHANGES

HK260515 Hong Kong WEN WEI PO in Chinese 25 Sep 85 p 3

["First Installment" of "News Analysis" by reporter Cheng Hsiang in Beijing: "Trends in the Political Situation as Viewed From the CPC's Personnel Matters"]

[Text] The CPC held the 5th Plenary Session of its 12th Central Committee today, thus completing personnel changes in its highest organs. The six newly elected members to the Central Political Bureau are Tian Jiyun, Qiao Shi, Li Peng, Wu Xueqian, Hu Gili, and Yao Yilin and the five newly elected members to the Central Secretariat are Qiao Shi, Tian Jiyun, Li Peng, Hao Jianxiu, and Wang Zhaoguo. No new members have been elected to the Standing Committee of the Political Bureau.

The newly readjusted leading organs of the CPC are as follows:

1. The Political Bureau consists of 20 members. They are Wan Li, Xi Zhongxun, Peng Zhen, Fang Yi, Deng Xiaoping, Yang Shangkun, Li Xiannian, Yang Dezhi, Yu Qiuli, Chen Yun, Zhao Ziyang, Hu Qiaomu, Hu Yaobang, Ni Zhifu, Tian Jiyun, Qiao Shi, Li Peng, Wu Xueqian, Hu Qili, and Yao Yilin. (The Political Bureau members elected at the 1st Plenary Session of the 12th CPC Central Committee held in September 1982 totaled 24.)

2. The Political Bureau has two alternate members. They are Qin Jiwei and Chen Muhua. (There were three alternate members in the Political Bureau elected at the 1st Plenary Session of the 12th CPC Central Committee. Yao Yilin has been elevated to full political bureau membership.)
3. The Standing Committee of the Political Bureau consists of five members. They are Hu Yaobang, Deng Xiaoping, Li Xiannian, Zhao Ziyang, and Chen Yun (There were six members elected to the Standing Committee of the Political Bureau at the 1st Plenary Session of the 12th CPC Central Committee. Later on, Ye Jianying resigned as a Standing Committee member of the Political Bureau at the 4th Plenary Session.)
4. The Central Secretariat comprises 11 members. They are General Secretary Hu Yaobang and Secretaries Wan Li, Deng Liqun, Yu Qiuli, Chen Pixian, Hu Qili, Qiao Shi, Tian Jiyun, Li Peng, Hao Jianxiu, and Wang Zhaoguo. (The number at the 1st Plenary Session of the 12th CPC Central Committee was 9.)
5. No announcement has been made of alternate secretaries to the Central Secretariat (Qiao Shi and Hao Jianxiu were elected alternate secretaries to the Central Secretariat at the 1st Plenary Session of the 12th CPC Central Committee and they have now been upgraded to full secretaryship of the Central Secretariat).

What impact will the recent personnel changes in the highest echelons, the retirement of large numbers of veteran cadres at the fourth plenary session, and the election of large numbers of new cadres in the present National Conference of Party Delegates have in future policies? This is a question in which people overseas take great interest. Here I would like to make some appraisals of what I have seen and heard.

First, the continuity of policies. In a speech at the National Conference of Party Delegates, Deng Xiaoping points out: The continuity of policies refers to the continuity of the domestic and foreign policies of "independence, democracy, legality, opening up to the outside world, and invigorating the domestic economy." All these policies have been gradually formed since the 3rd Plenary Session of the 11th CPC Central Committee. In gradually implementing these policies, stress should be put on providing an organizational guarantee for the implementation of related policies. From the present elections and retirement of cadres we can see that some outstanding problems in personnel matters have finally been solved through a retirement plan. On the other hand, some young cadres personally promoted and commended to higher positions by Deng Xiaoping, Hu Yaobang, and Zhao Ziyang since the 3rd Plenary Session of the 11th CPC Central Committee have been elected to the Political Bureau and the Secretariat. The "newcomers" to the Central Committee are the beneficiaries of the line taken by the 3d Plenary Session of the 11th CPC Central Committee. It is only natural for them to firmly support the triumvirate [ti zhi 7555 0455] consisting of Deng Xiaoping, Hu Yaobang, and Zhao Ziyang. This is important to preserving the continuity of policies.

Second, the attitude of the Army. Many people at home and abroad are worried whether, once people like Deng Xiaoping are no longer around, the younger leaders will be able to control the Army. The present elections of members to the Central Committee and to the Political Bureau is an embodiment of the principle that the party commands the Army, for the percentage of members from the Army in the Political Bureau has drastically decreased. Although it is hard to draw a distinction between who are civilian officials and who are military officials among the highest echelon of CPC leaders since 8 or 9 out of 10 of them have experience in leading troops and fighting battles, the previous number of Political Bureau members who were specially charged with military affairs was rather large.

Of the 24 members elected to the Political Bureau at the 1st Plenary Session of the 12th CPC Central Committee, 10 took charge of military affairs, but now the number has been reduced to 4 (Deng Xiaoping, Yang Shangkun, Yang Dezhi, and Yu Qiuli). The weight of military men holding political power has significantly declined. This will be more conducive to implementing the principle of the party commanding the Army. What merits attention is that, in view of the higher number of military men leaving the Political Bureau, the original intention to elect more alternate members to the Political Bureau and to elect Qin Jiwei, commander of the Beijing Military Region (Deng Xiaoping's former subordinate), to full membership in the Political Bureau (in the past, RENMIN RIBAO had contributed a half a page to publicizing Qin Jiwei) was dismissed as unnecessary in the end. It can thus be seen that Deng Xiaoping held that letting younger leaders Hu Yaobang and Zhao Ziyang assume responsibility in running the country would not invite interference from the military side.

We can get a rough idea of this situation from the attitude that JIEFANGJUN BAO took during the conference: 1) The military paper reprinted RENMIN RIBAO's editorial. 2) On 23 September the paper prominently carried an article to establish Hu Yaobang's position in the military. This is the first step in putting the instructions given by Hu Yaobang when he did political work in the 18th Army Corps in 1949 on a par with Mao Zedong's military thinking and Deng Xiaoping's philosophy on running the Army. The editor's note points out: The spirit of Hu's instructions then is also applicable today. 3) On 24 September, when the National Conference of Party Delegates ended, the paper published an editorial, stressing that the Army is subordinate to the party and that the position of the Army will rise along with the success of the party's cause. All these statements of the Army's position indicate, more or less, that the current personnel changes are relatively acceptable to the military.

Third, policies as viewed from personnel matters. Although the Communist Party stresses collective leadership, in the final analysis, collective leadership cannot totally replace the role of individuals. Therefore, from the present central personnel arrangements we can see the future trend of policies to some extent.

WEN WEI PO ON ARREST OF LI YAPIN IN TAIWAN

HK250505 Hong Kong WEN WEI PO in Chinese 21 Sep 85 p 2

[Editorial: "On the Arrest of Li Yapin in Taiwan"]

[Text] In the Gangshan toll booth on the expressway of Gaoxiong County, Li Yapin [2621 0068 7340] who had just arrived in Taiwan from the United States, was arrested by 12 burly men who also slashed the tires of his Mercedes Benz to delay his driver's reporting of the incident. Li Yapin was actually kidnapped.

Who is Li Yapin? Li Yapin is the publisher of the U.S. INTERNATIONAL DAILY with a daily circulation of 80,000 copies. The INTERNATIONAL DAILY is a very influential newspaper. Li also has a news agency, travel agency, polytechnic school, and other institutions in Taiwan. Li's nationality is the "Republic of China," but he has obtained the right of permanent residence in the United States.

It seems that the commentaries, reports, and some activities of the INTERNATIONAL DAILY have infuriated the Taipei authorities. It is reported that Li Yapin interviewed Cai Zemin and advocated the "establishment of transport, trade, and postal relations" between the two shores of the Taiwan Strait and called for the unity of our motherland.

Last month, the special column "Taiwan" in the INTERNATIONAL DAILY published in installments, an article entitled "On the Rise and Fall of the CHIANG CHING-KUO TIMES." Recently, Chiang Ching-Kuo answered some questions raised by the reporters of the U.S. magazine TIME. The INTERNATIONAL DAILY published an editorial commenting on that, which is entitled "Wish Taiwan Would Really Settle the Question of Political Seccession According to Democracy and the Law." The word "wish" is fully of "doubt".... All this can certainly not be tolerated by the highest authorities in Taipei.

But if, in a foreign country whose Constitution protects the freedom of speech and the freedom of the press, a newspaper reports and comments on what has happened according to the facts in a mild tone, how can it be said to have violated the law of Taiwan? How can the publisher be charged with the crime of "rebellion"? It is not necessary for us to comment on whether the law of Taiwan is reasonable or not, but since it is the law of Taiwan, how can it be applied to something which happened in the United States? The case of Jiang Nan has not yet ended; now the case of Li Yapin has emerged. What on earth do the Taipei authorities think of the United States? Do Chinese-Americans and Overseas Chinese in the United States still have the protection of human rights? It is not surprising that the U.S. State Department made a strong response at once, saying "It is against the spirit of democracy to have arrested a newspaper publisher who exercises various rights of freedom under the protection of the U.S. Constitution in the United States. It is an act of intimidation and harassment against an individual living in the United States." Even the Chinese-American scholar Xu Zhuoyun who has always supported the Taipei authorities openly said: "It is distressing to hear what the Taipei authorities have done. The action of the Taiwan authorities has alienated them from the Chinese living abroad."

Perhaps, because of the pressure coming from Chinese-Americans and Chinese in other foreign countries, Taiwan's "police headquarters" originally declared that Li Yapin was arrested because the INTERNATIONAL DAILY had harmed "government dignity" and had "pushed forward the communist psychological warfare." They later changed the statement, saying that Li "was taken to the police headquarters for inquiries and further investigations" "because his INTERNATIONAL DAILY, whose circulation is banned in Taiwan, was found circulating in Taiwan." Such unclear, changeable, and contradictory statements have fully exposed the Taipei authorities' arbitrariness in cooking up charges.

The Taiwan authorities' purpose in arresting Li Yapin is clear. Overseas Chinese have increasingly tended towards love of our motherland and agreed to the "establishment of transport, trade, and postal relations" between the two shores of the Taiwan Strait and the unity of our motherland." So, the Taipei authorities have gradually become isolated, and are uncertain about which way to go. The Taipei authorities cannot tolerate any opposition opinions in propaganda and news reports. Even the U.S. CHINA TIMES run by Yu Jizhong, a member of the KMT Standing Committee, had to choose to either stop publication or change its tone. Finally, CHINA TIMES had to stop publication. So, how can the Taipei authorities tolerate the INTERNATIONAL DAILY whose editorial policy is freer? The question is whether the Taipei authorities have the right to intervene in a newspaper which started publication in the United States and which is under the protection of the freedom of speech provided by the U.S. Constitution? Why could the "police headquarters" arrest the publisher of the INTERNATIONAL DAILY which started publication in the United States?

It is rumored that there is another case behind the case. Li Yapin used to be a KMT agent and used to be connected with Wang Sheng. Because Wang Sheng has fallen into disgrace, so Li Yapin has been arrested. Let us leave aside these rumors which cannot be proved. What we should point out is that the Chinese aboard have the freedom to express their own opinions and the United States is not Taiwan's territory, so Taiwan has no right to intervene in things there. The case of Li Yapin has fully exposed the real nature of the "people's rights" advertised by the Taiwan authorities!

DAUGHTER SAYS YE JIANYING HEALTHY DESPITE AGE

HK260607 Hong Kong SOUTH CHINA MORNING POST in English 26 Sep 85 p 18

[By C.K. Lau]

[Text] Chinese leader Marshal Ye Jianying, who recently retired as a member of the Standing Committee of the Politburo of the Chinese Communist Party, is still healthy despite his advanced age of 88. The message comes from his daughter, film director Ling Zi, who is in Hong Kong for the screening of "Hong Kong People in Shenzhen," a film jointly produced by Beijing Film Studio and Hong Kong's Tung Luen Motion Picture Ltd. With her are Miss Li Juanjuan, a daughter-in-law of Chinese Prime Minister Mr Zhao Ziyang and Mr Hu Qiming, a deputy director of the Film Bureau of China's Ministry of Culture and a director of Beijing Film Studio. At a press conference yesterday, Ling Zi -- not her real name -- said her father was living in Beijing and his health was good. "If he was not well, I would not have been here," she said.

One of Ling Zi's brothers, Mr Ye Xuanping, a former mayor of Guangzhou, was recently elected Governor of Guangdong, the family's native province. But Ling Zi said she was unlikely to come back to Guangdong like her brother. "He has his work and I have mine," she said.

"Hong Kong People in Shenzhen" is a comedy in which Li plays the part of a designer from Shenzhen who saves the life of a frustrated local artist, played by local actor Kwok Fung, while on a tour of Hong Kong. As the story develops, the audience is taken on a tour of Hong Kong as well as the special economic zone.

Besides Ling Zi and Li, the son of a Chinese state councillor, Mr Gu Mu, who is in charge of China's special economic zones, is also involved in the film as the script writer. But Ling Zi said the film was just a comedy and had no political overtones. She said the film would be screened publicly on the mainland, probably first in the large cities such as Beijing, Shanghai and Guangzhou before the Lunar New Year Festival. It would then be shown in smaller cities and then in towns.

Chinese and Hong Kong audiences would be seeing the same version of the film, no part of which had been banned or modified in the process of getting approval for screening, she said. The main actress in the film, 28-year-old Li Juanjuan, is the wife of the Chinese Prime Minister's fifth son [Zhao Wujun], who is now a law student. Miss Li said her status as daughter-in-law of the Prime Minister did not affect her work. "I don't know how other people see me. But I see myself as an actor and I don't take that problem seriously," she said. Miss Li said she did not know too much about Hong Kong but it appeared the territory was materially well-off.

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DATE FILMED

September 26, 1985

